

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Louisiana Rehabilitation Services -
Vocational Rehabilitation Program**
Baton Rouge, Louisiana

April 2000



Performance Audit

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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Louisiana Rehabilitation Services - Vocational Rehabilitation Program

April 2000



**Performance Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

April 6, 2000

The Honorable John J. Hainkel, Jr.,
President of the Senate
The Honorable Charles W. DeWitt, Jr.,
Speaker of the House of Representatives

Dear Senator Hainkel and Representative DeWitt:

This report gives the results of our performance audit of the Vocational Rehabilitation Program of Louisiana Rehabilitation Services. This audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

This performance audit report contains our findings, conclusions, and recommendations. Appendix I contains Louisiana Rehabilitation Services' response. Appendix J contains my office's additional comments based on the agency's response. We have also identified a matter for legislative consideration. I hope this report will benefit you in your legislative decision-making process.

Sincerely,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK/dl

[REHAB]



Office of Legislative Auditor

Executive Summary

Performance Audit

Department of Social Services

Louisiana Rehabilitation Services - Vocational Rehabilitation Program

Louisiana Rehabilitation Services (LRS) assists individuals with disabilities in their desire to obtain or maintain employment and/or achieve independence in their communities. LRS carries out this function by providing rehabilitation services and working cooperatively with business and other community resources. During this performance audit we found that:

Eligibility Determination

- The procedures used to determine eligibility did not ensure that only eligible individuals were allowed to participate in the program.

Services Provided

- LRS' internal management controls did not ensure that counselors always adhered to LRS' policies and procedures. In addition, some policies and procedures were ineffective and could be broadly interpreted.
- LRS did not require clients to contribute to the costs of tuition until July 1, 1999.
- LRS lacks internal management control over the costs of services provided.

Other Management Issues

- Many procedural changes that LRS implemented as a result of the streamlining initiative decreased management's control regarding oversight, accountability, and costs.
- A series of memoranda issued by LRS' state office to the regional managers caused confusion among regional staff and clients.
- LRS' reactions to the budget shortfall denied or delayed services to some eligible clients.
- LRS exercised little control over its expenditures, which contributed to the budget shortfall.
- LRS did not properly monitor a consulting contract related to rate setting.

LRS recently amended some of its policies and procedures to tighten control over the program. However, further improvements are needed to ensure program stability.

Daniel G. Kyle, Ph.D., CPA, CFE, Legislative Auditor
Phone No. (225) 339-3800

Introduction

AUDIT INITIATION AND OBJECTIVES

In a letter dated June 7, 1999, the Chairman of the House Committee on Appropriations requested a performance audit of the management and operations of the vocational rehabilitation services program within the Department of Social Services - Louisiana Rehabilitation Services (LRS). Concerns about the program's deficit posture for several months in the latter part of fiscal year ended (FYE) 1999 prompted the Chairman's request. We began our work on August 23, 1999. The Legislative Audit Advisory Council approved this audit on August 26, 1999.

The Chairman discussed several areas of concern in his request for this performance audit. In addition, we identified various other program issues that warranted review. We grouped the Chairman's concerns and issues we identified into three categories, Eligibility Determination, Services Provided, and Other Management Issues, and developed specific audit objectives for each category. The audit objectives are as follows:

Eligibility Determination

1. To determine the consistency of application of eligibility criteria among the regional offices

Services Provided

2. To review the use of supervisory review of rehabilitation counselors' plans for individual client services
3. To review the eligibility criteria for tuition reimbursements, including the use of an economic needs test or financial needs analysis
4. To review management controls over private provider costs

Other Management Issues

5. To ascertain the clarity and accuracy of information and directives related to program spending that the LRS state office sent to employees
6. To review the maintenance of expenditures in the management information system
7. To review personnel management practices

AGENCY OVERVIEW

Purpose and Statutory Authority

LRS is designated to carry out the provisions and purposes of the federal Rehabilitation Act of 1973, as amended. Federal funds account for more than 75% of LRS' funding. The program we audited within LRS, Vocational Rehabilitation, is 78.7% federally funded. LRS is organizationally placed within the Department of Social Services.

LRS assists individuals with disabilities in their desire to obtain or maintain employment and/or achieve independence in their communities by providing rehabilitation services and working cooperatively with business and other community resources. LRS is responsible for and performs the services and functions of the state related to vocational rehabilitation programs and blind services. Some of the services provided by LRS are hearing aids, assistance for the blind, braces, artificial limbs, home and vehicle modifications, tuition assistance, and on-the-job helpers, among others. LRS pays vendors for the various services they provide.

Organization Within DSS

LRS is statutorily under the supervision of the Department of Social Services (DSS), Office of the Secretary [R.S. 36:474(F)]. While the law administratively places LRS under the Office of the Secretary, DSS considers it to be a programmatic office. The executive budget shows LRS as a separate budget unit referred to as the Office of Rehabilitation Services.

LRS provides rehabilitation services through eight statutorily created programs that comprise three programs in the executive budget. These programs are as follows:

1. Executive and Administrative Support Program
2. Vocational Rehabilitation Services Program
 - Vocational Rehabilitation Program
 - Randolph-Sheppard Vending Facility Program (Blind Enterprise Program)
3. Specialized Rehabilitation Services Program
 - Blind Services
 - Community and Family Support Program
 - Independent Living Program
 - Louisiana Commission for the Deaf
 - Personal Care Attendant Program
 - Traumatic Head and Spinal Cord Injury Trust Fund Program

As mentioned in the Scope and Methodology section of this report, we focused our audit on the Vocational Rehabilitation Program.

Introduction

AUDIT INITIATION AND OBJECTIVES

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Other Management Issues

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6. To review the maintenance of expenditures in the management information system
7. To review personnel management practices

Organization and Operation of LRS

LRS is comprised of a state office located in Baton Rouge and eight regional offices with eight area offices and seven facilities. During most of the time frame covered by our audit, there were nine regional offices located throughout the state. However, the Hammond office was closed and its staff was divided between the Baton Rouge and New Orleans offices on June 28, 1999. Each regional office is headed by a regional manager.

There are approximately 450 staff employed in the eight regional offices. There are another 43 employees at the LRS state office. In addition, the Louisiana Rehabilitation Council, established in compliance with federal regulations, works with LRS to ensure the involvement of individuals with disabilities in the development and delivery of vocational rehabilitation services. The council uses one LRS employee to handle its business and does not have a payroll of its own.

Exhibit 1 on page 4 shows the number of personnel by region for FYE 1998 and FYE 1999. As shown in the Exhibit, 10 counselors left LRS during FYE 1999.

Exhibit 1 Personnel Levels at LRS Regional Offices FYE 1998 and FYE 1999 Louisiana Rehabilitation Services					
FYE 1998					
Region	Regional Managers	District Supervisors	Counselors	Others	Total
Alexandria	1	2	12	48	63
Baton Rouge	1	3	27	44	75
Hammond	1	2	12	25	40
Houma	1	2	15	12	30
Lafayette	1	2	19	16	38
Lake Charles	1	2	10	9	22
Monroe	1	1	12	16	30
New Orleans	1	4	34	42	81
Shreveport	1	3	22	57	83
Total	9	21	163	269	462
FYE 1999					
Region	Regional Managers	District Supervisors	Counselors	Others	Total
Alexandria	1	2	11	43	57
Baton Rouge	1	5	34	47	87
Hammond	N/A	N/A	N/A	N/A	N/A
Houma	1	2	14	12	29
Lafayette	1	2	18	16	37
Lake Charles	1	2	10	10	23
Monroe	1	1	11	16	29
New Orleans	1	6	36	54	97
Shreveport	1	3	19	56	79
Total	8	23	153	254	438
Note: LRS' state office had 43 employees as of June 30, 1999.					
Source: Prepared by legislative auditor's staff using information obtained from LRS.					

LRS is considered a combined agency, which means that it serves individuals with general disabilities as well as individuals who are blind or visually impaired. Some states have separate agencies for generally disabled clients and blind clients. In addition, LRS uses an order of selection for the provision of services. This system is designed to ensure that individuals with the most severe disabilities receive priority for services. Appendix A contains a table showing the states with combined agencies and the states with an order of selection.

LRS Expenditures

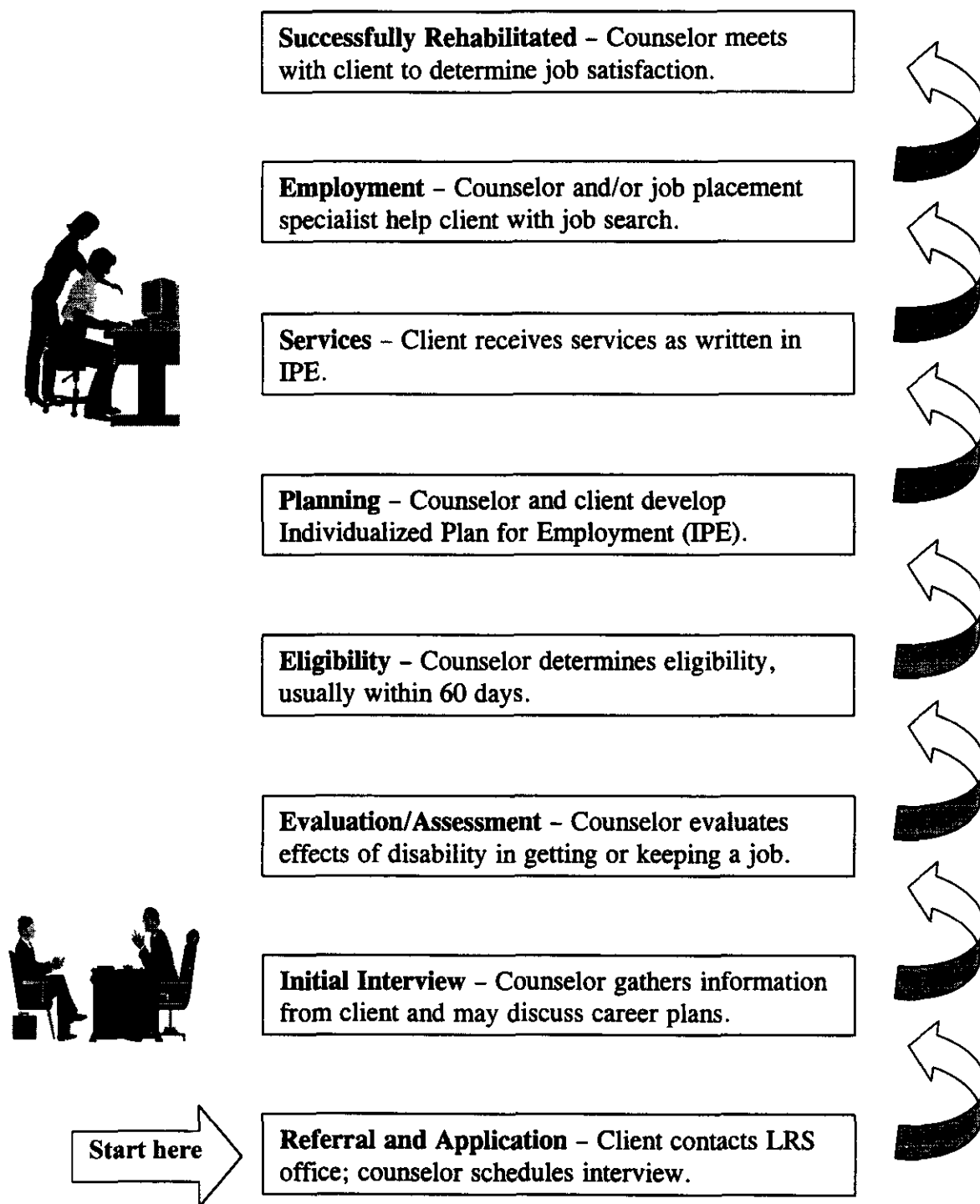
Federal funds account for approximately 75% of LRS' funding and 78.7% of the funding for the Vocational Rehabilitation Program. Total expenditures for LRS increased by almost \$13 million (approximately 21%) from FYE 1997 to FYE 1998. Expenditures increased by almost \$20 million (approximately 32%) from FYE 1997 to FYE 1999. LRS' expenditures are shown in Exhibit 2. It should be noted that for FYE 1999, the Vocational Rehabilitation Program accounted for about 89% of LRS' expenditures.

Exhibit 2 Total Expenditures FYE 1997 Through FYE 1999 Louisiana Rehabilitation Services			
Expenditure Type	FYE 1997	FYE 1998	FYE 1999
Salaries	\$13,415,412	\$13,706,703	\$14,388,457
Other Compensation	79,022	65,153	75,832
Related Benefits	2,688,359	2,797,510	2,934,317
Operating Expenses	2,477,116	2,585,441	2,496,773
Professional Services	32,557	32,557	32,789
Other Charges	41,057,749	53,216,739	59,394,543
Acquisitions and Major Repairs	146,129	96,619	62,353
Total	\$59,896,344	\$72,500,722	\$79,385,064
Note: For FYE 1999, the Vocational Rehabilitation Program accounted for approximately 89% of total expenditures.			
Source: Prepared by legislative auditor's staff using the 1998/1999 and 1999/2000 Executive Budgets and other information for FYE 1999 prepared by the Division of Administration - Office of Planning and Budget.			

In January 1999, the LRS Director and regional managers began meeting to address an impending budget shortfall. On March 10, 1999, LRS announced a projected \$9 million shortfall and limited services to only those clients with the most severe disabilities. Later, on April 13, 1999, LRS discontinued the approval of all new service plans. On July 20, 1999, counselors began making eligibility determinations and serving the most severely disabled clients based on their application dates. In December 1999, LRS began to make determinations for all clients on waiting lists, regardless of their application dates. Also at this time, LRS began serving all of the most severely disabled clients, regardless of their application dates. In February 2000, LRS began serving all eligible severely disabled clients.

Overview of Vocational Rehabilitation Services Process

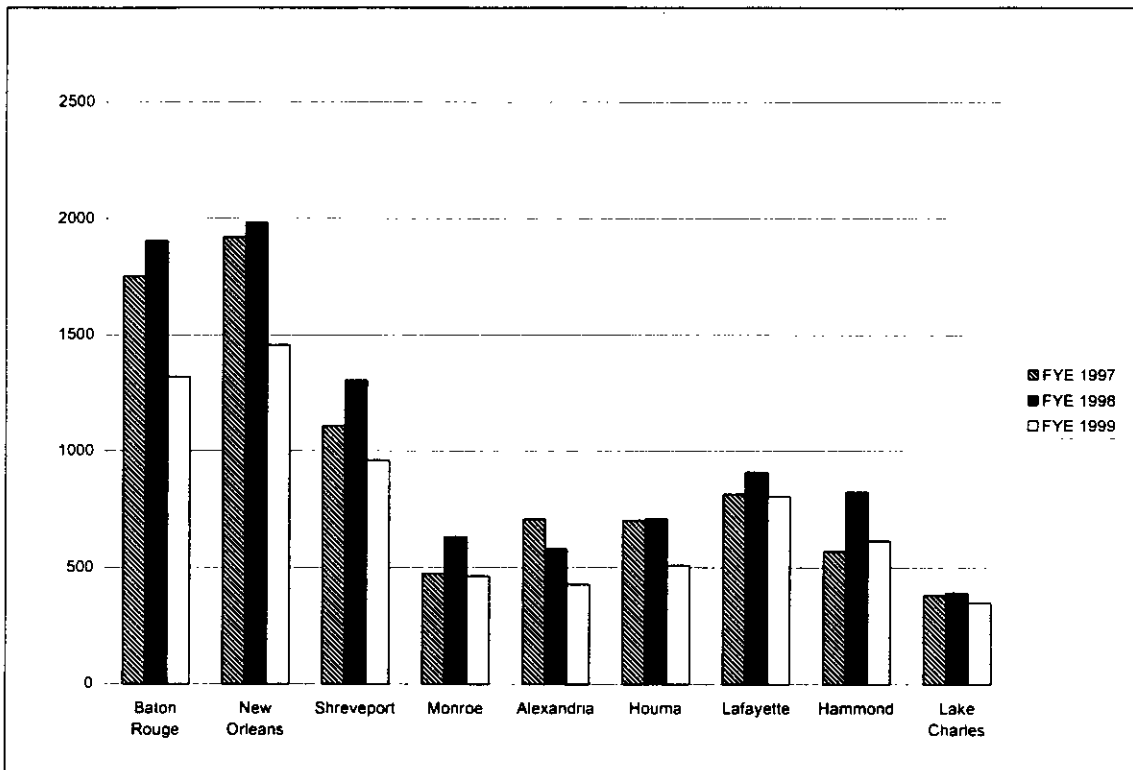
Exhibit 3 on page 6 provides an illustration of how clients are received and provided services by LRS.

Exhibit 3**The Vocational Rehabilitation Services Process
Louisiana Rehabilitation Services - Vocational Rehabilitation Program**

Source: Prepared by legislative auditor's staff using LRS publication titled *Your Guide to Vocational Rehabilitation*.

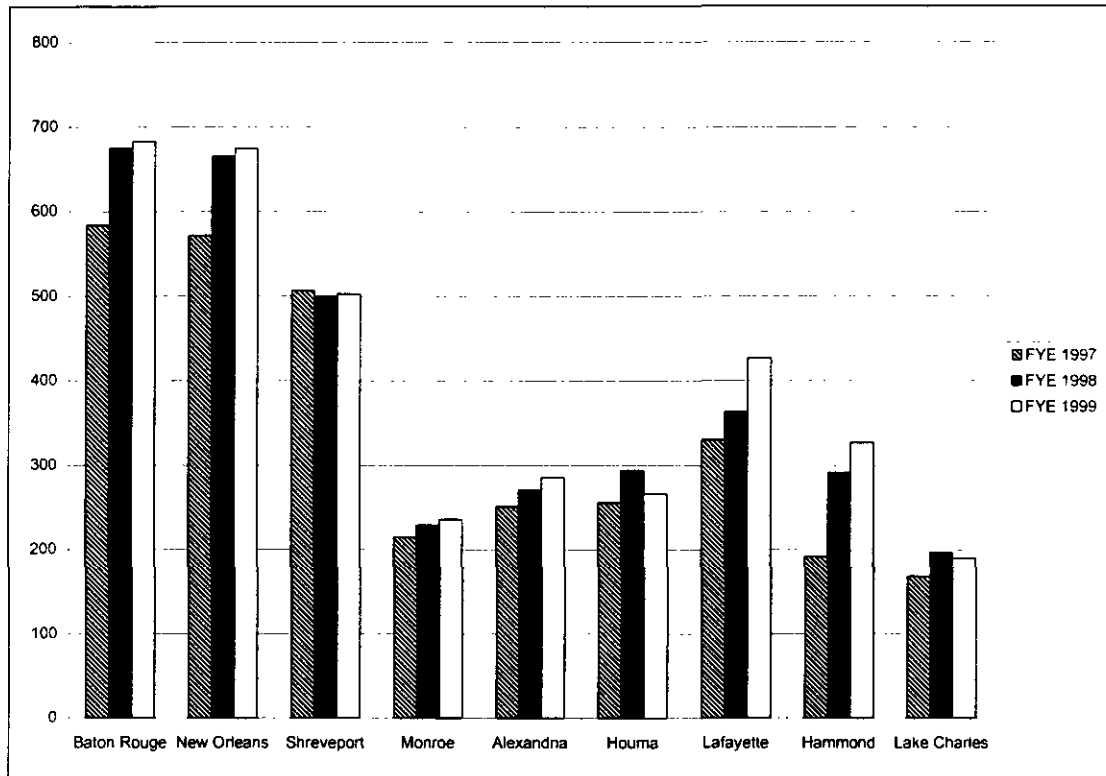
LRS uses the Blind Rehabilitation Information System (BRIS) to store and gather statistical and financial information on clients. LRS also uses BRIS to track client services. For an explanation of the status codes used to track client cases, see Appendix B. Exhibits 4, 5, and 6 illustrate the number of new cases determined eligible, cases successfully rehabilitated, and cases closed but not rehabilitated for each region for FYE 1997 through FYE 1999.

Exhibit 4
New Cases Determined Eligible in Each Region
FYE 1997 Through FYE 1999
Louisiana Rehabilitation Services



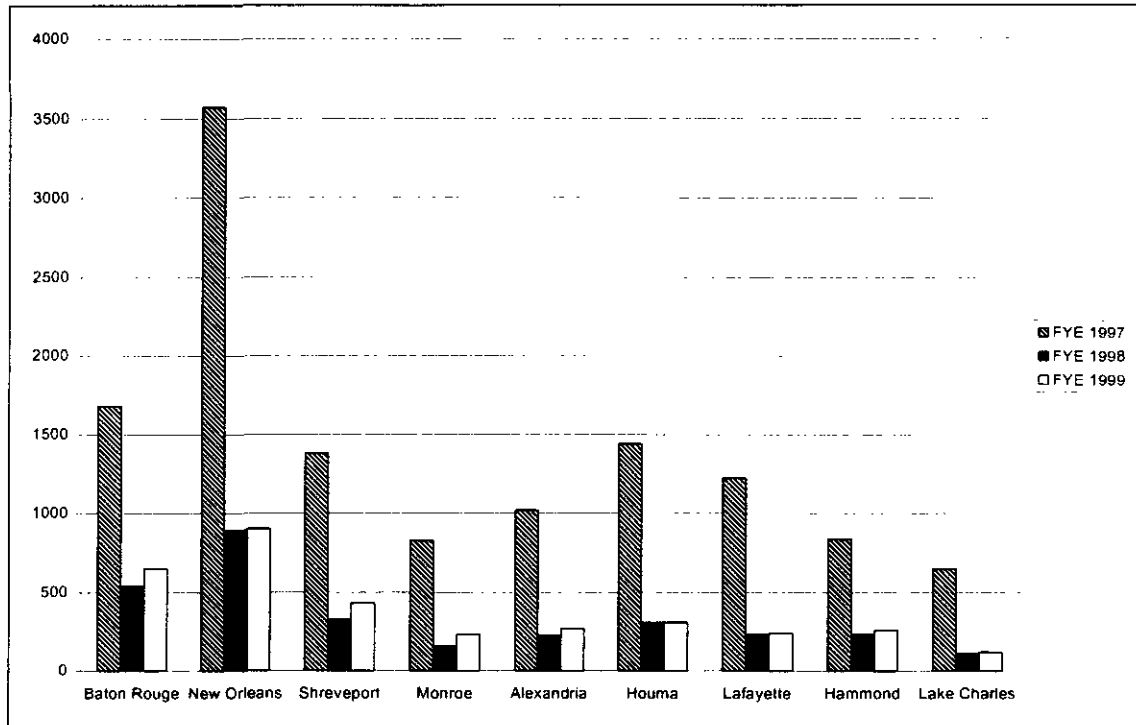
Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS information and found it to be reasonable for presentation purposes.

Exhibit 5
Cases Closed and Successfully Rehabilitated in Each Region
FYE 1997 Through FYE 1999
Louisiana Rehabilitation Services



Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS information and found it to be reasonable for presentation purposes.

Exhibit 6
Cases Closed But Not Rehabilitated
FYE 1997 Through FYE 1999
Louisiana Rehabilitation Services



Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS information and found it to be reasonable for presentation purposes.

The Streamlining Initiative

In 1993, the Council of State Administrators of Vocational Rehabilitation began an effort to streamline the public vocational rehabilitation service delivery system. The purpose of this effort was to make the system more responsive to the individuals it serves and to enhance employment outcomes of individuals with disabilities.

The Rehabilitation Services Administration, in collaboration with the Council of State Administrators of Vocational Rehabilitation, began assisting state vocational rehabilitation agencies in carrying out the streamlining activities. The state agencies were asked to review their practices and processes and identify those that impeded the rehabilitation process and outcomes from the perspective of consumers, advocates, and rehabilitation professionals. The Rehabilitation Services Administration provided technical assistance to the state agencies and committed to ensuring that federal regulations and policies minimized process requirements and supported a clear focus on quality employment outcomes.

As a result of the joint efforts of the Rehabilitation Services Administration and the Council of State Administrators of Vocational Rehabilitation, many state vocational rehabilitation agencies, including LRS, implemented streamlining initiatives. The effect that those initiatives had on the rehabilitation process at LRS is discussed throughout this report.

SCOPE AND METHODOLOGY

This performance audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We followed applicable generally accepted government auditing standards as promulgated by the Comptroller General of the United States.

We focused our work on areas that would address the audit objectives and provide suggestions for improving program operations. We concentrated our efforts on the vocational rehabilitation program because this program is the largest program in terms of dollars spent and the second largest program in terms of number of clients served under the Office of Rehabilitation Services. We reviewed and analyzed the policies and procedures that were in effect during FYE 1999, but we took into account procedural changes made in FYE 2000. This is because LRS made significant policy and procedural changes effective July 20, 1999, and at various other times during this fiscal year. We also collected data and performed trend analysis on financial and case information for the FYE 1997, 1998, and 1999.

To obtain an understanding of LRS and the management control environment, we gathered and reviewed various background and descriptive data. These data included federal and state laws and regulations; the state plan; executive budget information; policies and procedures manuals; related audit reports, studies, and data; and information related to vocational rehabilitation practices and procedures in other states. We also interviewed various Department of Social Services (DSS) and LRS officials to familiarize ourselves with LRS' operations.

We developed a survey and sent it to 17 state vocational rehabilitation agencies including LRS. We selected these 17 agencies because they operate as combined agencies, as does LRS, under the order of selection categorization. (See Appendix A for a list of agencies throughout the country and the type of order of selection they use.) We reviewed and compiled the responses to the survey as well as supplemental information that many of the surveyed agencies provided. We used this information to compare to LRS' operations. We also reviewed and analyzed similar surveys LRS conducted related to tuition payments, home modifications, and vehicle modifications.

We conducted numerous interviews with the DSS-Information Services Division to obtain an understanding of the significant computer applications LRS uses in its operations. Because LRS primarily relies on BRIS to track the status of the vocational rehabilitation cases and to pay for client services, we focused our review on that system. This application is also used to report statistical information at the federal level. Regarding the BRIS, we did the following:

- We assisted the legislative auditor's information systems audit staff in conducting a general controls review and assessment of the system. This review included management controls related to organization, system development, access, operations, data, and documentation.
- We reviewed user manuals, screen descriptions, report lists, and other information related to BRIS.
- We electronically obtained from DSS a copy of seven BRIS files containing BRIS data. These files included client, case, payment, and vendor data. We electronically received all data entered into BRIS from its implementation in April 1985 through August 31, 1999. We did this to enable us to use specialized audit software called Audit Command Language or ACL to electronically analyze the data. We used the results of this analysis to assist in planning our detailed audit methodology.

ACL Analysis

We reconciled and tested the BRIS data we received from DSS to determine if we could rely on it in our work and to ascertain the integrity of the data itself. The test involved the random selection of 30 LRS clients from the BRIS database. We selected the clients from across the state weighted by region. We tested selected data elements from the BRIS database to the actual case files obtained from the regional offices for these 30 clients. We found we could rely on the BRIS database to perform more detailed analysis of LRS' operations. That is, we found that the information materially reflected individual client information, case status information, and financial transactions within BRIS. We did, however, note some problems with reporting financial totals from BRIS because of cut-off dates and adjustments.

We conducted nearly 40 different analyses of the BRIS data using ACL. The purpose of the ACL analysis was to analyze the entire population, not merely a random sample, to target areas to test related to the audit objectives. The ACL analyses also provided us with financial information about the program to present in the audit report. This computer-assisted audit technique allowed us to quickly focus on areas of high risk. Based on the results of the various ACL analyses and because of time limitations, we conducted detailed case file reviews in one particular region, Lafayette.

Review of Case Files From the Lafayette Region

We selected the Lafayette Regional Office for a more detailed review because our ACL analysis of the entire population revealed that this regional office made some questionable payments to clients in the order of selection group III. Therefore, we considered it to be an area of high risk. Our secondary considerations in selecting the Lafayette Regional Office for detailed testing were that it is the third highest in vendor payments, it is composed of both urban and rural areas, and it is centrally located in the state. Finally, reviewing case files in the Lafayette Regional Office was manageable, considering our time constraints.

We used various criteria to determine which cases to test in the Lafayette Regional Office. We developed these criteria from our ACL work. In addition, we obtained criteria from knowledge gained in our statewide test of 30 clients that compared ACL data to the case files, as discussed previously. We judgmentally selected 31 clients to review in the Lafayette Regional Office. These clients had a total of 56 cases. Exhibit 7 describes the criteria used to select the test files in each category.

Exhibit 7		
Criteria for Selection of Case Files Reviewed in Lafayette Regional Office Louisiana Rehabilitation Services - Vocational Rehabilitation Program		
Number of Clients	Number of Case Files	Criteria Used
6	6	Order of selection group III clients. These clients were selected as further explained in the finding "Services Provided to Clients in Order of Selection Group III." We judgmentally selected six of the 12 clients from this group.
1	1	Clients with two social security numbers. During our ACL work, we noted some clients in each region with two numbers. A state office official said that some clients might provide wrong numbers upon application and then later send in corrections. We tested one case with two social security numbers that we selected judgmentally based on dollar amount.
19	38	Clients having two cases with similar services. We conducted ACL work to review and obtain information about the nature of cases in which LRS provided former clients with the same or similar services in subsequent cases. We determined that there were 36 such clients in the Lafayette Region. We chose 19 of the 36 to review based on the following criteria: <ul style="list-style-type: none"> • Significant payments to clients for maintenance, transportation, childcare, and books • Significant payments to vendors for supported employment, assistive technology, and other major categories of vendor payments
4	10	Clients with six cases. The Lafayette Region had four clients with six cases each. We included all four of these clients in our review. However, we were not able to review all six cases for these clients because LRS shreds inactive case files after five years. Therefore, we reviewed all cases LRS had on hand for these four clients.
1	1	Clients with home modifications. The Lafayette Regional Office had 14 clients that received home modifications. We wanted to review the nature of these types of services. We selected the client with the highest dollar amount in home modifications to include in our file review.
31	56	Totals
Source: Prepared by legislative auditor's staff based on ACL analysis and review of case file information.		

We developed a data collection instrument to use to collect information from each case file.¹ To design the instrument, we used the LRS Technical Assistance and Guidance Manual, Sections 200 and 400 (forms and procedures distributed to all regions for processing vocational rehabilitation cases). This enabled us to test whether management controls were operating effectively in the cases reviewed in the Lafayette Regional Office.

¹ As noted in Exhibit 7, some clients had more than one case file. In total, we reviewed 56 cases for 31 different clients.

We collected the information from the case files in the Lafayette Regional Office during January 2000. During our work, we interviewed State Office and Lafayette Regional Office officials to obtain information related to any questions we had about the cases. We then reviewed, analyzed, and summarized the information to report in this audit.

Because of the way we selected items to test, our evaluation of the results were limited to the cases we reviewed in the Lafayette Regional Office and not projected to the entire state. In some of the case files, we found multiple control weaknesses related to different aspects of the process. Therefore, in some instances in this report, we cite particular cases in more than one finding, depending on the control weaknesses we found in those cases.

Exhibits 8 and 9 on page 14 show the total length of time each client whose cases we reviewed in the Lafayette Regional Office was a client of LRS and the total cost for each client's cases. As can be seen from the exhibits, LRS has been providing services to client #29 for over 11 years at a total cost of \$84,914. The median length of time for each case is 2 years, 1 month. The median cost of these cases is \$17,290. Thus, the cases we selected for review include a range of times spent receiving LRS services as well as costs per client.

Other Work Performed

We performed various other procedures that we considered necessary to address the audit objectives. These other procedures included data collection, interviews, analyses, and comparisons.

Exhibit 8 Total Length of Time Served Per Client Reviewed Lafayette Regional Office Louisiana Rehabilitation Services - Vocational Rehabilitation Program		
Client Number	Total Length of Time (years and months) (approximate)	Total Length of Time (Days) (in descending order)
29	11 yrs., 4 mos.	4142
9	8 yrs., 7 mos.	3138
16	7 yrs., 3 mos.	2640
22	6 yrs., 11 mos.	2530
18	6 yrs., 5 mos.	2354
6	6 yrs., 4 mos.	2306
12	5 yrs., 2 mos.	1879
25	4 yrs., 10 mos.	1773
28	4 yrs., 7 mos.	1688
15	4 yrs., 6 mos.	1634
7	3 yrs., 8 mos.	1345
17	3 yrs., 2 mos.	1165
21	2 yrs., 11 mos.	1077
19	2 yrs., 10 mos.	1044
26	2 yrs., 7 mos.	956
4	2 yrs., 1 mo.	762
14	2 yrs.	739
5	2 yrs.	727
23	1 yr., 11 mos.	712
8	1 yr., 11 mos.	686
24	1 yr., 7 mos.	593
20	1 yr., 4 mos.	500
27	1 yr., 4 mos.	496
10	1 yr., 3 mos.	462
30	1 yr., 2 mos.	422
3	1 yr., 1 mo.	405
1	1 yr., 1 mo.	393
13	1 yr., 1 mo.	382
2	11 mos.	330
11	7 mos.	219
31	6 mos.	173
Average	3 yrs., 4 mos.	1215.23 days
Median	2 yrs., 1 mo.	762 days
Source: Prepared by legislative auditor's staff using ACL information related to each client's cases.		

Exhibit 9 Total Cost Per Client Reviewed Lafayette Regional Office Louisiana Rehabilitation Services - Vocational Rehabilitation Program	
Client Number	Total Cost (in descending order)
29	\$84,913.76
9	\$62,190.23
24	\$51,021.09
25	\$42,786.33
28	\$30,467.71
27	\$28,495.29
15	\$27,212.41
12	\$27,099.00
30	\$25,099.32
7	\$21,348.84
23	\$20,370.64
16	\$19,358.27
17	\$19,065.51
14	\$17,981.18
6	\$17,422.44
10	\$17,289.51
31	\$15,594.50
5	\$14,424.60
20	\$13,083.11
11	\$12,778.80
19	\$12,047.18
18	\$9,491.63
3	\$7,400.64
13	\$6,005.68
2	\$4,870.00
1	\$4,631.49
21	\$4,506.00
26	\$4,409.90
22	\$2,895.00
4	\$1,396.33
8	\$951.50
Average	\$20,212.50
Median	\$17,289.51
Source: Prepared by legislative auditor's staff using ACL information related to each client's cases.	

➡ It should be emphasized that because of the way we selected the case files to review, this test may not be representative of the practices and procedures of the entire agency. However, it should provide information on potentially significant problem areas of LRS' operations.

Eligibility Determination

CONCLUSIONS

LRS needs to tighten its eligibility determination procedures. Procedures in place during the period covered by this audit did not provide enough control to ensure that only eligible individuals participated in the program. For instance, LRS was not requiring supervisors to review counselors' eligibility determinations. In addition, for the cases we reviewed, counselors did not always substantiate their determinations with medical and psychological evaluations or their rationale for the functional limitations they selected for clients. LRS has amended its policies and procedures since the time of our review to require supervisory reviews. As part of the supervisory reviews, supervisors should ensure that counselors' eligibility determinations are substantiated with current medical and psychological evaluations. They should also ensure that counselors' selection of functional limitations is appropriate.

Once a client is determined eligible, LRS can provide the client with a multitude of services. Therefore, it is important that much emphasis be placed on who is allowed access to these services through the eligibility determination process. Federal regulations² require that non-federal entities receiving federal awards establish and maintain internal controls. Specifically, such controls should provide reasonable assurance that only eligible individuals receive assistance under federal award programs. Without good management controls over eligibility determination, individuals who may not be truly worthy of services may receive them while others who are worthy may not be able to because of funding limitations.

We did not find inconsistent eligibility determination among the regional offices for clients who applied for services at two different regional offices claiming the same disability. One of our audit objectives was to determine if potential clients could be deemed ineligible in one region yet deemed eligible for the same services in another region, even though the individuals' disabilities had not changed. Our work in this area showed that this was not a major problem.

²OMB A-102, *Common Rule*; OMB A-133, *Compliance Supplement*; and Department of Education Title 34, Part 80, *Uniform Administrative Requirements for Grants and Cooperative Agreements*.

BACKGROUND INFORMATION

To be determined eligible for vocational rehabilitation services, an individual must meet the following criteria:

- Have a disability defined as a physical and/or mental impairment which constitutes a substantial impediment to employment for that individual
- Be able to benefit in terms of an employment outcome from vocational rehabilitation services
- Require vocational rehabilitation services to prepare for, engage in, or retain gainful employment

Counselors are required to determine an applicant's eligibility status within 60 days of the date the individual applies for vocational rehabilitation services. Exceptions to this time frame can only be made when the counselor determines that an extended evaluation is necessary and the client agrees to an extension of the time frame.

LRS states in its policy manual that it is committed to serving individuals it determines to be severely disabled. Severely disabled individuals are those who:

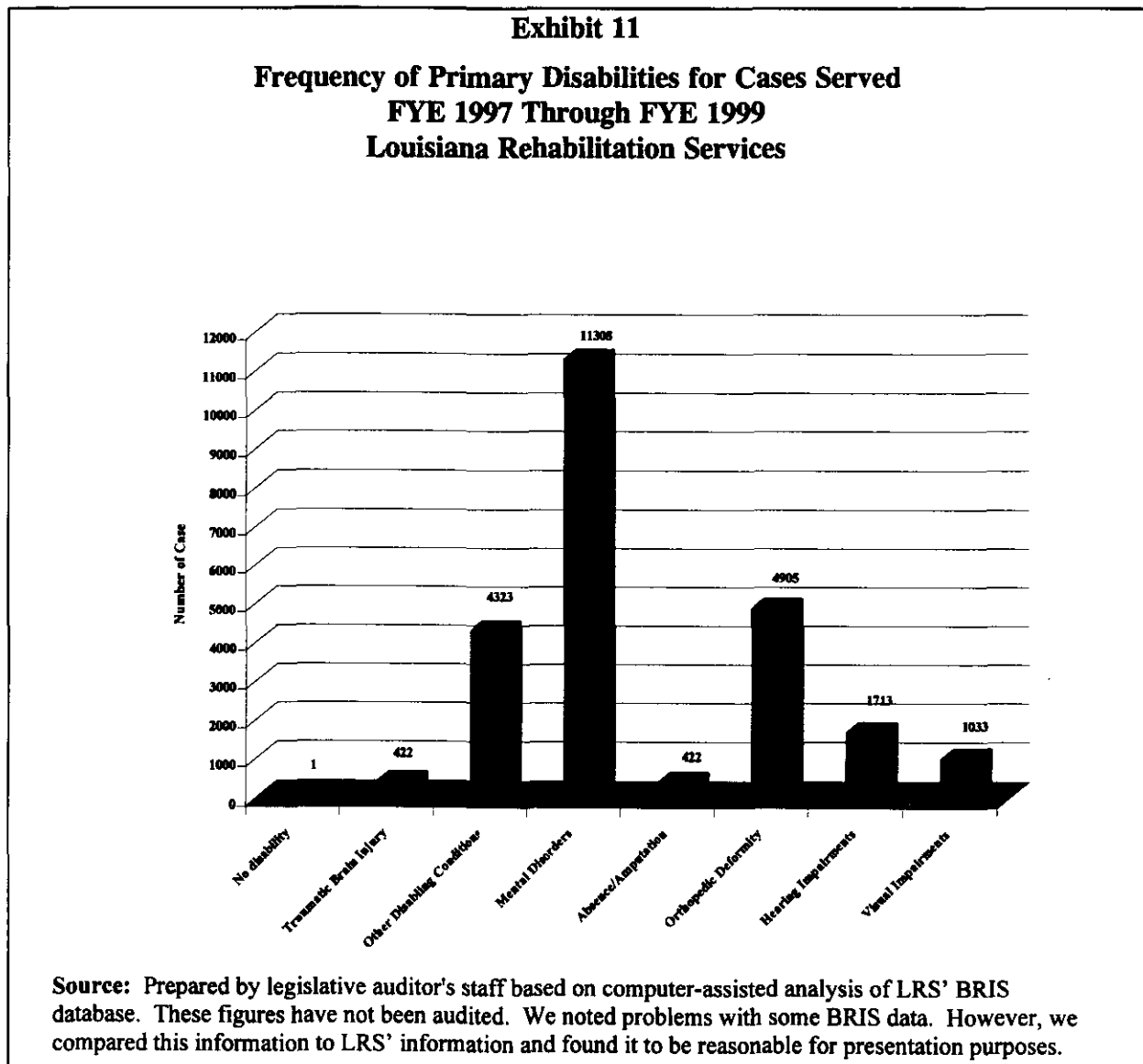
- (1) receive Social Security Disability Insurance (SSDI);
- (2) receive Supplemental Security Income (SSI) because of blindness or disability; or
- (3) have an impairment that severely limits one or more functional capacities³ in terms of an employment outcome, and whose vocational rehabilitation can be expected to involve multiple substantial services over an extended period of time (six or more months).

Since 1988, LRS has used an order of selection to categorize its clients. This system is designed to ensure that the most severely disabled individuals receive priority for vocational rehabilitation services. Exhibit 10 on page 17 shows the number of functional capacity limitations corresponding with each order of selection category. The exhibit compares LRS' policy regarding the order of selection before and after the policy was revised on July 20, 1999. A more thorough description of how the order of selection categories were revised will be discussed in a subsequent section of this report.

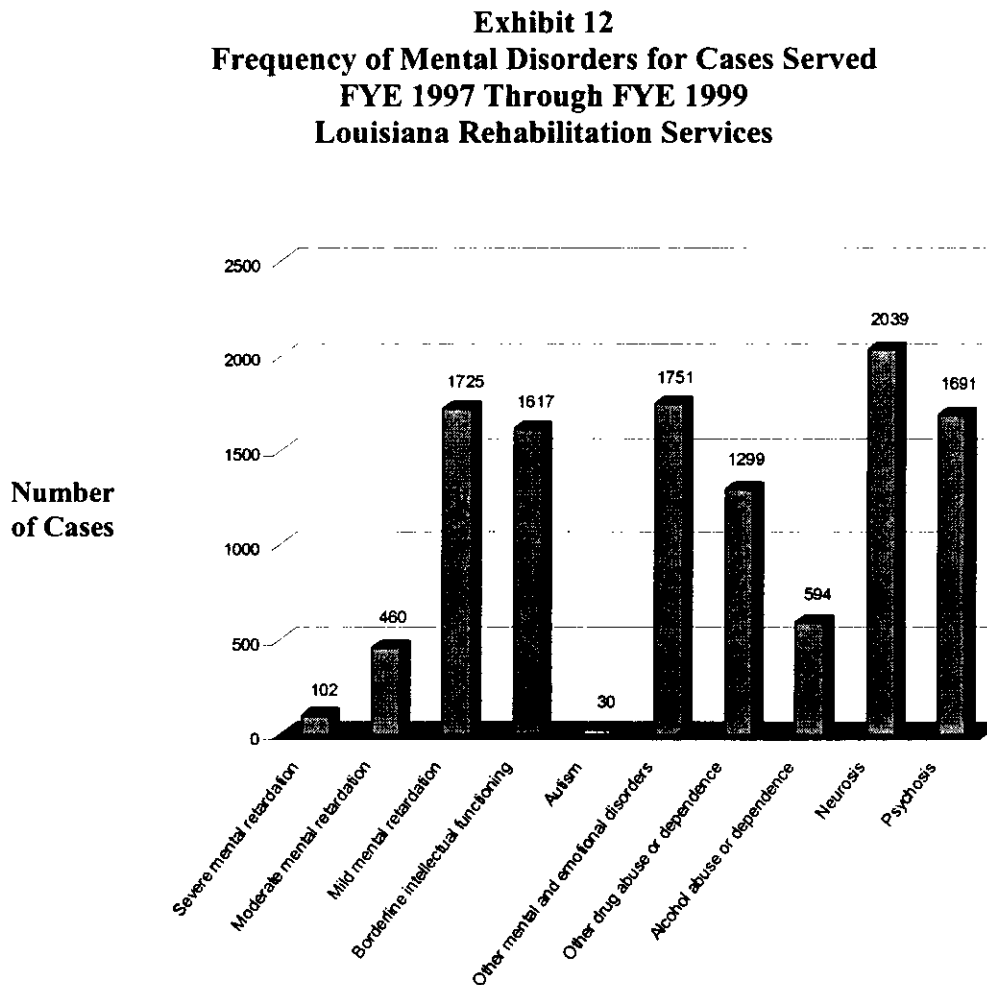
³ The LRS policy manual describes several disabilities (e.g., amputation, autism, blindness, etc.) that can be determined to cause substantial functional limitations.

Exhibit 10 Functional Capacity Limitations Required for Each Order of Selection Louisiana Rehabilitation Services - Vocational Rehabilitation Program			
Time Frame	Selection Group I	Selection Group II	Selection Group III
Previous policy (before 7/20/99)	Three or more functional limitations	One or two functional limitations	All other eligible clients
Updated policy (after 7/20/99)	Four or more functional limitations	Three functional limitations	One or two functional limitations
Source: Prepared by legislative auditor's staff using information from LRS' policy manuals.			

From FYE 1997 through FYE 1999, LRS opened 24,127 new cases. Exhibit 11 shows a frequency distribution of the number of these cases that LRS served by the type of primary disability. Other disabling conditions include learning disabilities, diabetes mellitus, and epilepsy, among others.



Of the cases served from FYE 1997 through FYE 1999, 11,308 were for clients with mental disorders. Exhibit 12 displays the frequency of the specific types of mental disorders for these clients.



Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database. These figures have not been audited. We noted problems with some BRIS data. However, we compared this information to LRS' information and found it to be reasonable for presentation purposes.

INCONSISTENT QUALIFICATION FOR SERVICES AMONG REGIONS NOT WIDESPREAD

One of our audit objectives was to determine if some clients might have been disqualified from receiving a particular service in one region but qualified to receive the same service in another region. We found that this matter may apply to a very small percentage of clients in the last three fiscal years. Through analysis and testing, we discovered that some clients for whom it appeared this had happened were not actually disqualified from receiving services in the first regional office. Instead, they had stopped pursuing services with the first regional office before eligibility was determined or before services were begun. They then applied for the same services at other regional offices. Therefore, these clients were not turned down by one regional office and then accepted by another.

As explained previously, BRIS tracks the status of client cases. As shown in Appendix B, status 08 is used to close cases before eligibility is established. In addition, according to LRS procedures, clients who are not accepted for services will also be placed in status 08. On the other hand, clients who have been determined eligible for services and whose cases are not yet closed will be included in status 10 through 24, as described in Appendix B.

To conduct test work in this area, we used the ACL software package to extract from LRS' BRIS files all clients whose cases were closed to status 08 for each of the nine regions for FYE 1997 through FYE 1999. We also extracted a list of clients who were determined eligible for services or who were receiving services and who were coded as status 10 through 24. We then compared the status 08 clients in each region to the status 10 through 24 clients in all the other regions. This analysis revealed that 49 clients out of 45,358 (0.10%) were not accepted for services in one region but were accepted for services in another region.

We found that 21 of the 49 clients were closed to status 08 in one region *after* becoming eligible for services in another region. This could indicate that the clients had reapplied for services in another region. However, the clients may have been ineligible in the second region because they were rehabilitated in the first region and no longer needed additional services or because the clients did not pursue services.

We also found that the remaining 28 clients were closed to status 08 in one region *before* becoming eligible in another region. This may be a problem if the clients' disability codes had not changed and the dates between their two cases were close together. When disability codes are the same, it may be difficult to explain changes in the eligibility determination made by two different regional offices. Four of these 28 clients had no changes in their disability codes. To address this possibility, we conducted further analysis on three clients' cases by reviewing case file information. The three clients we reviewed had high dollar cases.

We found that none of the three clients had been disqualified in one region and qualified in another region. In fact, for one client, the eligibility determinations were fairly consistent between earlier cases in one region and a later case in another region. For all three clients, not enough time had passed to fully determine eligibility before their cases were closed to status 08.

This is because all three clients had decided at the time not to pursue services with LRS. In addition, for one of the cases, the client had tried to open a case in Monroe before his Shreveport case had been closed. Computer controls prevented the Monroe case from being opened until the Shreveport case had been closed to status 08. Therefore, based on our analysis, it appears that the possibility of clients being denied eligibility in one region but obtaining eligibility for the same services in another region is not a major problem.

PROCEDURES FOR ELIGIBILITY DETERMINATION LACKING MANAGEMENT CONTROLS

The LRS forms and procedures counselors used to substantiate eligibility determination did not provide enough control to ensure that only eligible individuals participated in the program. This was because there was little review required of the counselors' determinations by supervisors. In addition, some counselors in the Lafayette Regional Office relied on outdated medical and psychological information to assist them in their determinations. Finally, we noted an overall lack of documentation in the cases we reviewed in Lafayette to justify the eligibility determinations. The eligibility determination process is the most important function in the delivery of vocational rehabilitation services because it controls who has access to services. When there are inadequate controls, there is a risk that eligible individuals will be denied services while others who should be ineligible will be accepted for services. In addition, when management does not establish proper controls, the potential for fraud and abuse increases.

To determine if an individual is eligible for vocational rehabilitation services, LRS procedures require the counselor to take the following actions:

1. Establish a diagnosis from an appropriate professional that reflects the current status of the individual.
2. Assess the physical and/or mental impairments⁴ related to the diagnosis by using:
 - Medical/psychological reports and/or counselor observations to substantiate/support the impairments.
 - Resources, such as the *Medical, Psychosocial & Vocational Aspects of Disability*, to research the diagnosis.
3. Determine whether the individual has significant limitations in the eight functional capacity areas listed in Exhibit 13 on page 21 that could constitute a substantial impediment to employment. (*Note: LRS procedures allow the counselor to also use client statements to assist in establishing these functional limitations.*)

⁴ A physical and/or mental impairment is an injury, disease, or other condition that materially limits, or if not treated is expected to materially limit, mental or physical functioning, according to the 1998 Code of Federal Regulations Title 34, Volume 2, Section 361.5(36).

4. Decide and document the extent that the client's disability severely limits the client's functional capacities based on the information in the case file. This procedure distinguishes between eligible individuals with severe disabilities and those with non-severe disabilities. *(Note: This information is used after the eligibility determination to place the client in the appropriate order of selection group.)*
5. Determine if the client has the ability to benefit from vocational rehabilitation services in terms of an employment outcome.
6. Determine if the client requires substantial vocational rehabilitation services to prepare for, enter, engage in, or retain gainful employment.

Exhibit 13
Eight Functional Capacity Areas
Louisiana Rehabilitation Services -
Vocational Rehabilitation Program

1. Mobility
2. Motor skills
3. Communication
4. Self-care
5. Self-direction
6. Interpersonal skills
7. Work tolerance
8. Work skills

Source: Prepared by legislative auditor's staff from LRS Technical Assistance and Guidance Manual.

LRS uses a form, the RS-2, to document these determinations. The form documents if the client is eligible, ineligible, or needs an extended evaluation to determine eligibility. LRS instructions to complete the form require the counselor to sign and date the RS-2. The supervisor must also sign the form, if required, according to the instructions.

Supervisors Did Not Review Several Eligibility Decisions

In the majority of cases we examined in our statewide test and in our test in the Lafayette Region, the eligibility determination did not include a supervisor's signature. In our statewide test of 30 clients, an eligibility determination was made for 33 cases.⁵ We found the RS-2 did not include a supervisor's signature for 20 of the 33 cases (60.6%). In our Lafayette test of 31 clients with a total of 56 cases, an eligibility determination was made for 52 cases. We found the RS-2 did not include a supervisor's signature for 38 of the 52 cases (73.1%).

According to an LRS official, at the time the need for a supervisor's signature depended on whether the counselor had independent approval status (IAS), as will be discussed in a subsequent section of this report. For eligibility determinations, supervisors were required to sign the RS-2 only if a Counselor 1 (i.e., new counselor) had prepared it. According to LRS officials, in the streamlining initiative, supervisors were not supposed to question the eligibility decisions of counselors with IAS.

Good management practices should require a supervisory review of all eligibility decisions because of the subjective nature of this process. Without supervisory review of eligibility decisions, there is a high risk that LRS may not be serving individuals with the most severe disabilities. Effective January 28, 2000, all eligibility decisions now receive a supervisor's signature.

⁵ Some clients had more than one case. There were 36 cases for these 30 clients. Thirty-three of these cases contained eligibility determinations.

Recommendation

- 1. Supervisors should continue to closely review counselors' eligibility decisions to ensure they are appropriate.***

Updated Medical and Psychological Reports Needed

LRS procedures related to evaluations to determine eligibility allow counselors to use their professional judgment in lieu of medical reports to determine eligibility for obvious disabilities. However, for impairments that are not obvious, the procedures provide that counselors should obtain evaluations from licensed professionals. The procedures also allow counselors to make eligibility decisions based on existing data provided by clients and others. However, existing information must be evaluated to determine if it describes the current functioning of the individual.

In our test of client case files in the Lafayette Regional Office, we reviewed the medical, psychological, and other data the counselors used to make eligibility decisions. We evaluated the existing data used to make the eligibility decisions to determine if there was a need to purchase diagnostic services instead of using the existing information.

We found nine of the 52 cases with eligibility determinations (17.3%) cases for five clients where it appeared that updated diagnostic information was needed but was not purchased. In all nine cases, LRS used old, existing information to substantiate or support the eligibility determination. For example, in one case, the client applied to LRS in 1994 when she was 20 years old, claiming an emotional disability. The counselor determined the client's eligibility based on four-year-old medical reports, his assessment of the client's current health status, and the client's statements regarding her functional limitations. There was no evidence in the file to substantiate the client's claim that she was still in therapy. In this case, the supervisor did approve the RS-2. LRS provided college tuition and books costing \$2,112 for this client. This case was closed in January 1996 when the client dropped out of school to return to work.

In July 1996, the same client reapplied for services six months after the first case was closed. She claimed her disabilities were chemical imbalance, depression, post traumatic stress syndrome, and battered woman's syndrome. The counselor stated in his case narrative that he was opening another case because he felt the client was sincere in her efforts to better herself. The counselor based his eligibility decision on his interview with the client. The counselor did not obtain any new medical or psychological information to substantiate or support the eligibility determination. A supervisor's signature was not included on the RS-2 for this client's second case.

As of August 31, 1999 (our cut-off date for ACL data), this client was still receiving services from LRS. LRS had spent \$24,262 for college tuition, books, room and board, and childcare. The client's condition had not prevented her from earning a 3.7 grade point average at the University of Louisiana at Lafayette. The client had also remarried and had another child during this period. LRS had not obtained any new information to determine if her condition had

improved. In fact, LRS procedures and federal requirements do not require counselors to re-determine a severe disability, even if improvement is found, as long as the client is progressing toward the originally established goal.

In another case, a client reapplied for services to return to school in 1998 even though he was employed at the time of application. He claimed he had tone deafness in both ears, which had recently become worse. He also claimed that he had recently injured his back. The LRS counselor did not purchase any diagnostic services to substantiate the client's claims. However, the case file did include a 1992 general medical report that confirmed the hearing impairment. The doctor did not list any restrictions related to the impairment on the report.

On this client's RS-2, the counselor marked severe functional limitations for self-direction, interpersonal skills, and communication. The counselor did not include any comments on the RS-2 to substantiate why he chose those limitations. The counselor also did not include any substantiating information in his narrative. In addition, a supervisor did not sign the RS-2. Because the counselor assessed three functional limitations as severe, the client was placed in the order of selection group I. LRS purchased services costing almost \$4,300 for this client. However, without current medical and psychological information, we cannot be sure if this client's eligibility for services was properly determined.

Both of these examples show the need for counselors to obtain updated medical and psychological evaluations. Had this been done, the counselors' determinations regarding eligibility may have been different. Without updated information, we cannot determine whether the counselors' determinations were appropriate. Also, LRS may not be able to support its determinations if they are ever challenged.

Recommendation

2. ***Counselors should substantiate eligibility decisions with current medical and psychological evaluation reports in cases where impairments are not obvious.***

Better Documentation to Support Eligibility Determinations Needed

LRS procedures require counselors to document the extent that clients' disabilities severely limit the clients' functional capacities. In our testing of the Lafayette Regional Office case files, we evaluated the level of documentation to support the functional limitations and the severity for the eligibility determination on the RS-2. We found that 35 of the 52 cases we reviewed (61.5%) did not include detailed explanations on the RS-2. The functional limitations were simply checked off on the checklist included on the form.

We observed for the remaining 17 cases that an older version of the RS-2 form was used. That form was designed to accommodate detailed explanations. Although the newer version of the form includes a "comments" section for each functional limitation, there were rarely enough explanations in the cases we reviewed to support why the counselor selected the limitations.

According to an LRS official, the RS-2 form was revised during the streamlining initiative. Before streamlining, the counselors were required to provide a higher level of documentation. The counselors would dictate narrative information about the functional limitations, and the secretaries would type it. However, streamlining and the use of computers eliminated the need for the dictation machines. According to this official, if counselors had to document everything, it would limit their time spent with clients. While this factor has merit, not requiring sufficient explanation to support the eligibility determination can result in erroneous eligibility decisions. It may also leave the agency in a weak position should it have to defend its actions as a result of grievances or lawsuits.

Recommendation

3. ***Counselors should improve their documentation to justify the functional limitations they select for clients. This could be done more efficiently by requiring that doctors' and psychologists' reports and other evaluation data be formatted to include specific discussion relative to the eight types of functional limitation used by LRS. Another possibility is to have the Rehabilitation Counselor Assistants type information for the case files using dictation machines, as was previously done.***

Services Provided

CONCLUSIONS

For the cases we reviewed in the Lafayette Region, LRS management did not adequately monitor to ensure that counselors followed LRS policies and procedures when providing services to clients. For example, in some cases counselors opened new cases rather than providing post-employment services under existing cases and did not follow purchasing guidelines for services such as tuition assistance, establishment of small businesses, and computer purchases. Without procedures to ensure that established policies and procedures are being followed, LRS may make unnecessary payments.

Also, in general, we found that some overall LRS policies and procedures were not effective and could be broadly interpreted. For example, for the period covered by the audit, LRS procedures did not require counselors to collect documentation relative to an individual's reported income, assets, monthly liabilities, or family status. They also did not require evidence that clients truly needed services to retain employment. If counselors had obtained this evidence, LRS may not have decided to provide some services.

One way to monitor counselors' work is through supervisory reviews. However, we found a lack of supervisory reviews for counselors with Independent Approval Status. During the time period covered by our audit, IAS counselors were not required to have supervisory reviews for non-high cost service plans or payments. This could lead to the approval of services that a client may want, but not necessarily need, thus causing unnecessary growth in costs. This lack of review contributed to a lack of internal control that may have played a role in LRS' budget shortfall. However, on January 28, 2000, LRS ended IAS and now requires supervisory reviews for all counselors and specialists.

LRS did not require an economic needs test for tuition until July 1999. Also, in some cases we reviewed in the Lafayette Regional Office, it appears that some clients who received tuition assistance could have contributed to their tuition costs. However, client participation was not required at the time, and LRS paid for tuition costs that probably could have been at least been partially covered by the clients.

We found that LRS lacked controls over services provided by Community Rehabilitation Programs (CRPs). LRS also did not always ensure cost-effective service provision, solicit competitive bids for some employment services, and use its buying power to negotiate discounts. In addition, LRS does not retain ownership over purchased property, which increases costs because multiple clients cannot use the same equipment. Without policies and procedures to control private provider costs, LRS could be spending more than necessary to provide services to clients.

BACKGROUND INFORMATION

Comprehensive Assessment

The comprehensive assessment process begins once an applicant has been referred to LRS, continues during the determination of eligibility, and ends with the selection of an employment goal and the development of an Individualized Written Rehabilitation Program⁶ (IWRP). The process is designed to determine the maximum rehabilitation potential of an eligible client by assessing the client's unique strengths, resources, priorities, interests, and needs. This assessment is used to determine the goals, objectives, nature, and scope of the services to be included in the client's IWRP.

According to LRS' procedures, the counselor must assess, to the extent pertinent, each of the following major areas: medical, psychological, environmental, educational, and vocational. The counselor will use information provided by the client, the client's family, and other appropriate sources. The counselor may also obtain additional information when it is in the client's best interest.

The comprehensive assessment must substantiate and document the need for services planned on the IWRP. The information in the case file must also indicate how the services will change, modify, accommodate, or remediate the client's functional limitations and enable the client to obtain or retain gainful employment.

The counselor must conduct a face-to-face planning interview with the client to discuss and share this information. The client is afforded the opportunity to make an informed choice regarding a realistic employment goal, intermediate objectives, services, and service providers.

Individualized Written Rehabilitation Program (IWRP)

The IWRP translates and formalizes the information obtained during the comprehensive assessment process into a program of vocational rehabilitation services by setting goals, objectives, time frames, and means for achieving an employment goal. This formalized plan of action is intended to optimize the probability of a successful employment outcome and to ensure client participation and informed choice. In addition, the joint (i.e., counselor and client) development of the plan is intended to foster the client's self-growth.

The IWRP must contain an appropriate employment goal and intermediate objectives. The objectives are realistic steps the client must take to reach the employment goal. The IWRP must also identify the specific services to be provided to the client, with a beginning and an ending date for each service, the service providers for each service, and the funding source for each service. The IWRP may include a statement of the specific rehabilitation technology services to be provided to the client to assist in the implementation of the intermediate objectives

⁶ LRS revised its policy and procedures manuals on July 20, 1999. Among the revisions, the IWRP was replaced by the Individual Plan for Employment (IPE). This change was a result of the Work Force Investment Act of 1998.

and long-term rehabilitation goals and, if appropriate, a statement of the specific on-the-job and related personal assistance services to be provided to the client.

The IWRP must also contain the following information:

- An assessment of the expected need for post-employment services
- Measurable evaluation criteria to determine whether the employment goal and intermediate objectives are being achieved
- A statement by the client describing how he/she was informed about and involved in choosing goals, objectives, services, and service providers
- The rights and remedies available to the client
- An annual review, at which time the client may review the plan and jointly redevelop the IWRP, if necessary

The client (or the client's parent, guardian, or other representative, if necessary) and the counselor must sign the IWRP. The counselor's supervisor must also sign or initial the IWRP, if required.⁷ During the time period covered in our review, the district supervisor and regional manager were also required to sign the IWRP if the total of all services provided equaled \$10,000 or more. The counselor must give the client a copy of the IWRP and any amendments.

Comparable Services and Similar Benefits

According to LRS' procedures, counselors must investigate and advise clients of comparable services and similar benefits available under any other program that will meet in whole or in part the cost of the client's vocational rehabilitation program. This must take place before either committing agency funds or authorizing services needed.

The counselor may provide services without exploring comparable services and similar benefits under two circumstances:

- When the use of comparable services and similar benefits would delay services to an eligible client who is at extreme medical risk and such risk is documented by an appropriate licensed medical professional
- When an immediate job placement would be lost because of a delay in the client's receipt of comparable services and similar benefits

⁷ As of January 28, 2000, supervisors are required to sign all plans.

In addition, during the period covered by our review, counselors were not required to use comparable services and similar benefits when providing the following services:

- Assessment for determining eligibility and placement in the order of selection
- Assessment for determining vocational rehabilitation needs
- Guidance, counseling, and referral to other agencies or programs
- Vocational and other training services, except that maximum efforts must be made to secure grant assistance for training expenses in institutions of higher education
- Job placement services
- Rehabilitation technology
- Post-employment services consisting of the above-listed services

Client Participation in Cost of Services

According to LRS' policy manual, during the period covered by our review, the counselors were required to determine the financial need of eligible clients for the purpose of determining the extent of the clients' participation in the costs of certain services. This determination was required to be made through a budgetary analysis of the client's assets, income, monthly liabilities, and comparable services and similar benefits. The counselor and client (or client's parent or guardian, if necessary) were required to complete the economic needs test or form RS-14. The counselor was not required to document or verify the client's income, assets, monthly liabilities, and family status during the time period of our review.

Exhibit 14 on page 29 shows the types of services that require client participation and those that do not. Clients with greater than \$25,000 in liquid assets and/or with other available funds are required to participate in whole or in part in the cost of those services requiring client participation. The client must use these funds before LRS will fund any services.

Exhibit 14 Services Requiring/Not Requiring Client Participation Louisiana Rehabilitation Services - Vocational Rehabilitation Program	
Services Requiring Client Participation	Services Not Requiring Client Participation
<ul style="list-style-type: none"> • Physical and/or mental restoration • Maintenance (i.e., room and board) • Transportation • Books • Training tools and equipment • Telecommunication, sensory, and other technological aids and devices • Cost services to other family members • Occupational licenses • Discretionary training fees • Home modifications for accessibility • Vehicle modifications/renovations • Other goods and services • Post-employment services consisting of services listed above • Small business enterprises (the client must provide a minimum cash capital contribution of 20% of the total transaction) 	<ul style="list-style-type: none"> • Evaluations to determine rehabilitation potential • Diagnostic evaluations • Counseling • Guidance • Job placement • Referral to other agencies or programs • Rehabilitation technology evaluations • Vocational or other training services • Personal assistance services directly related to the client's achievement of an employment goal and provided simultaneously with any of the above-listed services
Source: Prepared by legislative auditor's staff using the LRS Technical Assistance and Guidance Manual.	

The counselor must evaluate the client's financial situation annually if the client is receiving services contingent upon client participation in the cost or if there is a change. If there are changes, the client and/or counselor must complete an updated RS-14 form, as appropriate. The counselor must base the amount of client participation on the most recent budget analysis.

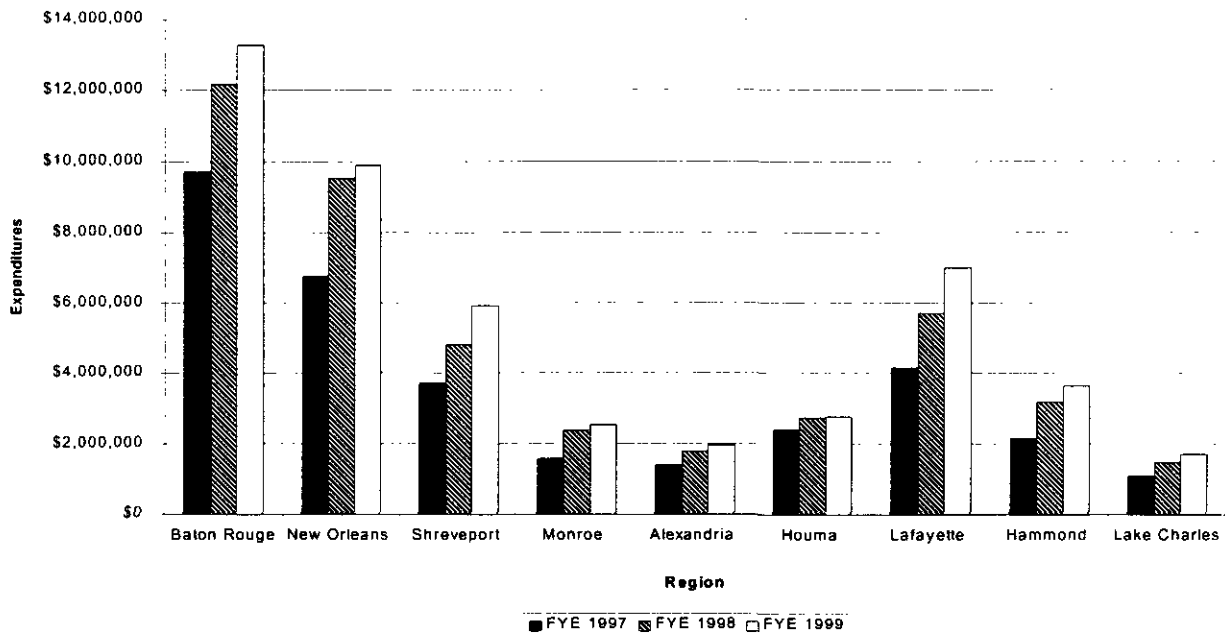
Purchase of Services for Clients

In accordance with each client's IWRP, counselors authorize, coordinate, and provide services for eligible individuals. Counselors can provide an array of goods and/or services necessary for clients to enter gainful employment. LRS has established guidelines to assist the counselor in planning and purchasing appropriate vocational rehabilitation services for clients. (See Appendix C for a list of vocational rehabilitation services provided by LRS.)

Expenditures by Region

LRS spent \$125,457,338 on services for all clients from FYE 1997 through FYE 1999. According to 1999/2000 executive budget, LRS served approximately 30,000 clients during FYE 1998, with an annual average cost per client of about \$1,400. Exhibit 15 on page 30 is a graphical depiction of payments for LRS services by region and year. Appendix D includes the actual dollar amounts shown in Exhibit 15 by region and by year. The Baton Rouge Regional Office purchased the most services for clients who attempted to obtain or retain gainful employment.

Exhibit 15
Expenditures by Region
FYE 1997 Through FYE 1999
Louisiana Rehabilitation Services



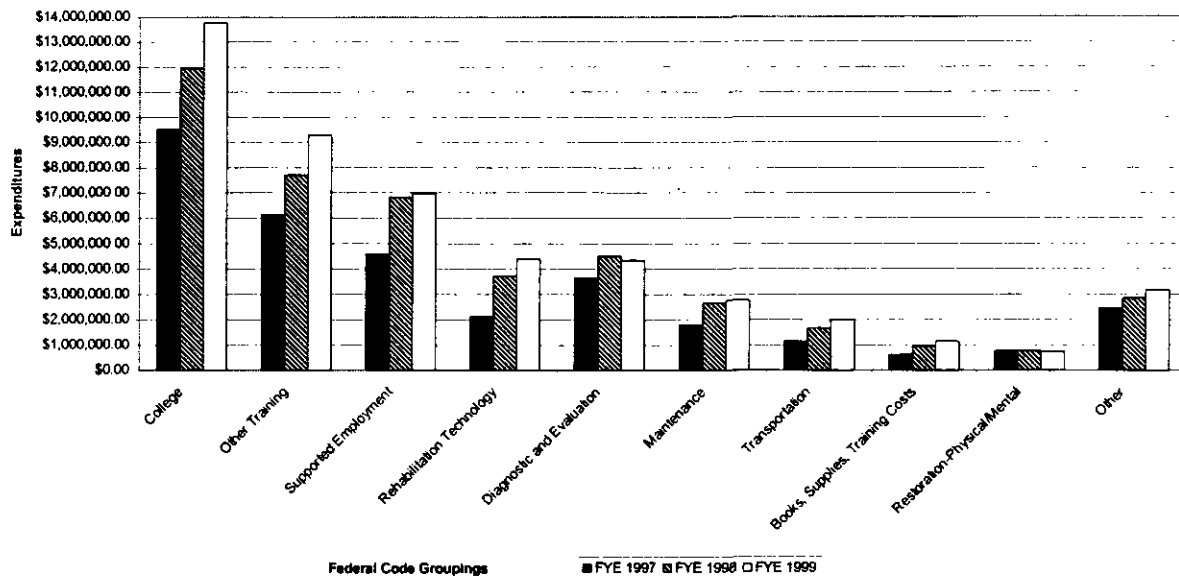
Note: See Appendix D for numbers supporting this chart.

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

Expenditures by Type of Service

The BRIS financial records include federal codes used to categorize the types of services that clients receive for each payment LRS makes. For example, federal code 101 is used for the purchase of general medical exams. Exhibit 16 on the following page shows LRS' total payments by type of service for FYE 1997, 1998, and 1999. Appendix E includes a breakdown of the actual dollar amounts. By far, LRS has spent the most for college tuition and other training services.

Exhibit 16
Expenditures by Type of Service
FYE 1997 Through FYE 1999
Louisiana Rehabilitation Services

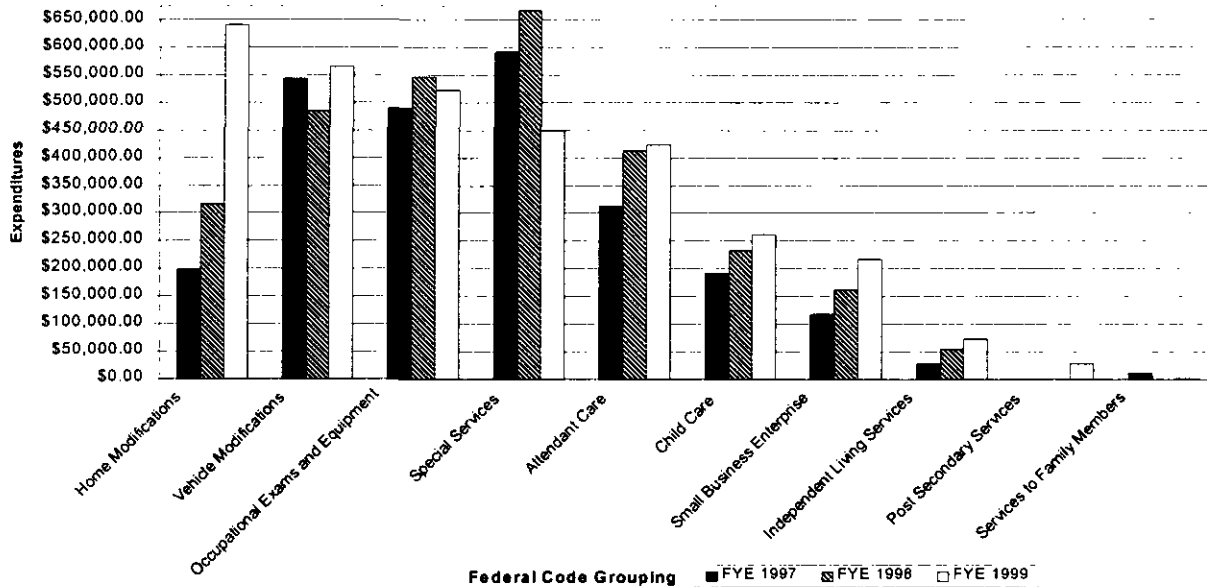


Note: See Appendix E for numbers supporting this chart.

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

Exhibit 17 on page 32 is a breakdown of the "other" type of service shown in Exhibit 16. Appendix E shows the actual amount spent for each service in the "other" category. As can be seen in Exhibit 17, within the "other" category, LRS spends the most for special services. This category includes interpreter services, readers, scribes and note-takers, and other tutor services. The amounts spent on vehicle and home modifications are also significant. Payments for home modifications have increased significantly in the last three fiscal years.

Exhibit 17
Expenditures by Type of Service
“Other” Category
FYE 1997 Through FYE 1999
Louisiana Rehabilitation Services



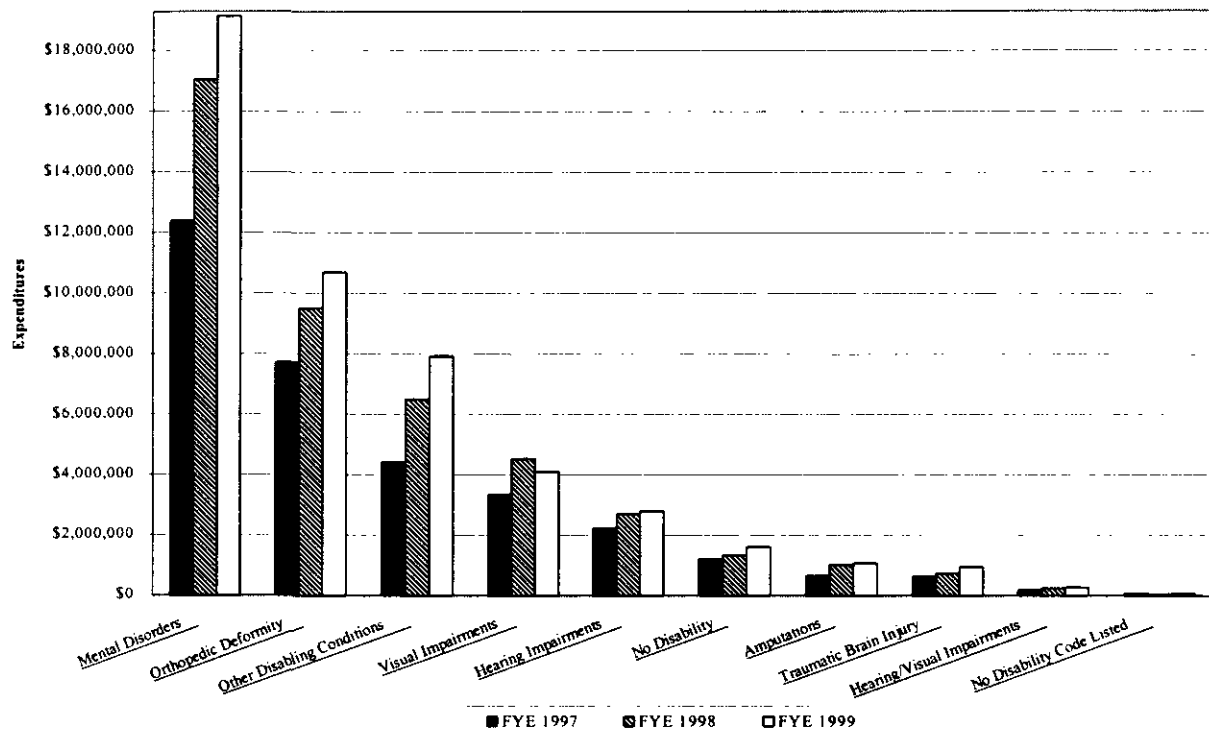
Note: See Appendix E for numbers supporting this chart.

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

Expenditures by Type of Disability

The type of disability a client has is also included in the financial records in the BRIS database. These records are called disability codes. For example, 100 is the code for cataracts, and 500 is the code for psychosis. There are also codes for groups of disabilities. For example, all disability codes starting with a '2' relate to various types of hearing impairments. Exhibit 18 on the following page shows the total amount paid within each group of disabilities. Appendix F includes the dollar amounts shown in Exhibit 18. As shown in Exhibit 18, LRS provides the most services to individuals with mental disorders. The amounts spent for "no disability" and "no disability code" primarily relate to diagnostic services for eligibility determination. As a result, applicants in these categories were determined not to have disabilities and were thus not eligible for services.

Exhibit 18
Expenditures by Disability Code
FYE 1997 Through FYE 1999
Louisiana Rehabilitation Services



Note: See Appendix F for numbers supporting this chart.

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

LACK OF OVERSIGHT OF COUNSELORS WITH INDEPENDENT APPROVAL STATUS

Several cases that we reviewed in the Lafayette Region did not receive sufficient supervisory review. This may be because LRS' policy granted some counselors the authority to make approval decisions independently. Good management controls require periodic monitoring of cases that are handled by counselors with independent approval status. As a result of this lack of review, many counselors approved payments for services that may not have been authorized or needed, which may have contributed to the budget shortfall.

Twenty-two of the 56 cases we reviewed (39.2%) contained at least one Individualized Written Rehabilitation Program (IWRP) with no supervisory approval. Several of these cases contained counselor-approved payments that may not have been authorized and that may have resulted in excessive expenditures. Granting independent approval status to counselors was part of the streamlining initiative. The purpose of this initiative was to achieve improvement in the number and quality of job placements for individuals with disabilities. However, LRS should ensure that controls are in place whereby management monitors counselors with independent approval status more closely.

For example, in one case we reviewed, the client was employed and attending school at the time of application for her first case. The client withdrew from school before graduating because of personal reasons and began work. The LRS counselor closed the case. The client subsequently decided to return to school, and the counselor opened a second case when the client applied for services. The only services that LRS was supposed to pay for according to the IWRP were childcare, vocational guidance, and counseling, but LRS also paid for the client's tuition, maintenance, and books totaling \$14,857. This IWRP also had no supervisory approval for the additional services because the counselor had independent approval status and was not required to get supervisory approval.

In another case, LRS successfully rehabilitated the client and placed him in employment following his first case. The client was subsequently injured on the job, and he applied for additional services from LRS. We found no evidence in the case file that the counselor pursued the possibility of the client obtaining workers' compensation benefits. Nonetheless, the counselor opened a second case for this client. Neither the counselor nor the district supervisor signed the IWRP for the second case. The IWRP authorized college tuition to study computer repair, books, and transportation.

The client later requested a computer for assistance with coursework. LRS purchased a computer costing more than \$3,000 even though the computer was not authorized on the IWRP. Also, LRS automatically sent transportation payments directly to the client. The client withdrew from college within six weeks. LRS did not recover the computer or the transportation payments totaling \$873 that were made to the client after he withdrew from school. The client went back to the same type of job he had before applying for the second case.

LRS' procedures required that all services needed by the client to achieve each objective must be listed on the IWRP. The funding sources for those services must also be identified on the IWRP. This specifically includes whether the client or LRS is responsible for payment for services. If any revisions to the IWRP are required, the counselor must note the changes in the case file and on the IWRP.

Independent approval status allowed counselors to authorize payments for services that were not properly listed on IWRP forms. Also, supervisors in these cases did not review and sign off on case details. Thus, counselors in these cases were able to authorize payments without their supervisors' approval. Not requiring supervisory reviews in these cases resulted in overpayment for clients' services and authorization of services that may not have passed

supervisory review. In both cases we discussed, requiring supervisory reviews may have prevented LRS from paying for unauthorized or unnecessary services.

LRS officials said that there was a management control in place at the time. This control required the district supervisors to perform an annual case review as part of the annual performance evaluation for each counselor on independent approval status. While this control does provide some limited oversight, it does not supplant the need for regular, ongoing review and oversight of counselors' activities.

On January 28, 2000, LRS formally abolished the independent approval status. As a result of this action, supervisors are now responsible for conducting reviews on all counselors, evaluators, and specialists, regardless of their level. Regional managers must ensure that these reviews are completed.

Recommendations

- 4. LRS should attempt to recoup improper cash payments made directly to clients and/or unauthorized equipment provided to clients.***
- 5. LRS should maintain the policy implemented January 28, 2000, which abolished independent approval status. Managerial review is vital to the efficiency and effectiveness of the program.***

NON-COMPLIANCE WITH LRS POLICIES AND PROCEDURES

Services Provided to Clients in Order of Selection Group III

According to LRS officials, no clients in Order of Selection Group III (non-severely disabled) have received services since 1992. However, during our computer analysis of LRS data, we discovered 73 payments for group III clients made for non-diagnostic services during FYE 1997 through FYE 1999. We found that the Lafayette Region authorized 63 of the 73 payments.

Forty of the 63 payments in the Lafayette Region were for surgery-related services for clients with visual impairments. According to an LRS official, the charity hospital in Lafayette does not perform eye surgery; therefore, LRS provides for this service at doctors' offices or area hospitals. In addition, seven payments were for college tuition, and the remaining 16 payments were for various other services. The total cost of services provided by the Lafayette Region to group III clients during this time period was \$67,041. The provision of these services by LRS to group III clients may have precluded more severely disabled group II and group I clients from receiving services.

In a March 19, 1990, memo addressed to all regional managers, the LRS bureau administrator stated, "When a case has been designated Code III at eligibility, then no cost services can be provided to that case." The LRS bureau administrator wrote a subsequent memo dated June 28, 1990. This memo stated that cases where clients are not legally blind or severely visually impaired but have a significant eye problem affecting both eyes would need to be sent to the state office for approval before services can be provided. This memo also said that in cases of this type, LRS intervenes to prevent blindness. Furthermore, the memo said that the cases were regular vocational rehabilitation cases to be paid for from the same funding sources as all other vocational rehabilitation cases.

In another memo dated October 8, 1991, the bureau administrator stated that cases where one eye has corrected visual acuity of 20/30 or better are not appropriate and should not be sent to LRS, as they do not have sufficient visual loss for service. Finally, in a memo dated April 2, 1992, the assistant director stated, "Payment for Code III clients may be made for services between October 1, 1991, and June 30, 1992." There are no LRS policies or procedures stating specifically that group III clients can receive services from LRS. The only guidance we found were these memos.

In our review of case files in Lafayette, we found one case involving a person who applied for services and subsequently had eye surgery that was covered by his medical insurance company. A medical evaluation of his vision in the case file stated that he had 20/20 vision in both eyes with best correction. Regardless of this fact, LRS approved services for this client through the state office under the Intervention to Prevent Blindness Program. LRS placed this client in the group III category. This meant that the client was only eligible for surgery, according to the memos mentioned above. The only non-diagnostic services this client received were college tuition, not surgery. We found no evidence that this client ever received any services that intervened to prevent blindness. Finally, this case began in 1996, which should have precluded the client from qualifying according to the April 2, 1992, memo. LRS spent a total of \$6,013 on this case, \$5,987 of which was for tuition.

Another case we reviewed in Lafayette involved a client who complained of blurry vision and applied to LRS for services. He was gainfully employed at the time he applied. His application stated that he previously had surgery on one eye, and his medical evaluation report stated that his vision in that eye was 20/20 with the best correction. The report also stated that he had a cataract in his other eye. According to the October 8, 1991, memo discussed previously, this client did not qualify for surgery. However, the LRS state office approved his application, and he was placed in the group III category. According to an economic needs test conducted by the counselor, the client had an investment account containing approximately \$23,000 and \$1,972 of monthly income, which exceeded his monthly expenses by \$819. Despite these facts, LRS still approved this case for surgery. The client only contributed \$150 to the cost of surgery, even though the anticipated client contribution listed on the economic needs test was \$819. Finally, this case began in 1997, which should have precluded the client from qualifying according to the April 2, 1992, memo. LRS paid \$4,631 for services provided to this client.

A third case we examined in Lafayette involved a client who was employed. In addition, her vision in her best eye was 20/25 without glasses. According to the LRS memo dated October 8, 1991, the client's vision impairment was not severe enough to qualify for surgery. We found a counselor narrative in the file stating that the eye surgery was approved by the state office, but there was no other evidence of this approval in the case file. Finally, this case began in 1997, which should have precluded the client from qualifying according to the April 2, 1992, memo. LRS spent \$6,906 for this client to have surgery.

In a fourth case we reviewed in Lafayette, the counselor stated on the client's application that the client had never worked. Also, a medical examination report in her file stated that her vision was 20/30 in both eyes with the best correction. According to the LRS memo dated October 8, 1991, the client's vision impairment was not severe enough to qualify for surgery. Nonetheless, the LRS state office approved her application and placed her in order of selection group III. Also, the client listed an employment goal on her IWRP, but after her surgery, LRS was unable to contact her for over a year. Finally, this case began in 1996, which should have precluded the client from qualifying according to the April 2, 1992, memo. LRS had not been able to determine the client's employment status and spent \$1,396 on her case.

In all of these cases, LRS employees did not follow the procedures outlined in the inter-agency memos regarding qualification of clients for services. Also, it is questionable whether agency procedures even allowed for approval of non-diagnostic services for any clients within order of selection group III. As a result, some group III clients received services even though they may not have qualified for them under any LRS procedures. In total, these four cases amounted to \$18,946 in questionable payments.

Recommendations

6. ***LRS should revisit the issue related to the Intervention to Prevent Blindness Program to see if it is appropriate for the agency to operate such a program.***
7. ***Management should establish procedures to monitor payments for non-diagnostic services to clients in order of selection group III.***

Provision of Services for Eye Surgeries

According to BRIS data, the Lafayette region paid an average of about \$117,000 per year for cataract and glaucoma surgeries for clients in FYE 1997 through FYE 1999. This amount appears to be rising, as shown in Exhibit 19 on page 38. This may be due, in part, to the fact that University Medical Center (UMC), the Lafayette charity hospital, does not provide these services. According to an Earl K. Long official, the estimated cost to operate a clinic at Earl K. Long in Baton Rouge is \$200,000 per year.

Exhibit 19 Total Dollars Spent by Lafayette Region for Cataract and Glaucoma Surgical Procedures FYE 1997 Through FYE 1999 Louisiana Rehabilitation Services			
Fiscal Year Ended	Type of Surgery		
June 30	Cataract	Glaucoma	Total
1997	\$103,996	\$0	\$103,996
1998	\$116,873	\$4,290	\$121,163
1999	\$123,347	\$3,551	\$126,898
Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We have noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.			

In 1995, the Lafayette Region negotiated with area hospitals and doctors for flat fees for eye surgeries to limit the fees that LRS is charged. According to a written agreement with a Lafayette area hospital, the established fee for outpatient cataract surgery is \$2,500. LRS officials stated that other agreements with area hospitals and doctors for this type of surgery are verbal, but the price is also \$2,500. These officials also said that there is an unwritten agreement between the Lafayette Region and area hospitals and doctors not to increase the fees that they charge for eye surgeries. Examples of why the Lafayette Region is facing such a large financial burden for providing eye surgical services follows.

One client whose case file we reviewed had cataracts in both eyes and applied for LRS services from 1993 to 1999. The client applied for services because the UMC eye clinic had closed five years earlier. LRS determined that the client needed services to retain employment, as his vision was becoming progressively worse. LRS designated the client as the most severely disabled and placed him in order of selection group I. After two cases that included numerous surgeries, LRS had spent over \$30,000 on this client. Also, hospitals and doctors charged LRS more than \$2,500 for four surgery-related payments in this client's cases, which is more than the verbal agreement mentioned in the preceding paragraph.

A similar example involves a client who had cataracts in both eyes and was designated as severely disabled and placed in order of selection group II. This person had three eye surgeries to correct her vision so that she could retain her employment. These surgeries alone cost the Lafayette Region over \$12,000.

If LRS had an alternative to providing eye surgery, the agency could possibly have saved thousands of dollars. Officials of UMC stated that they had an eye clinic until about 10 years ago, but an ear, nose, and throat residency program replaced it. They also said that all operating rooms are currently occupied during the day, so UMC would probably have to build a new operating room suite to accommodate an eye clinic. Earl K. Long Hospital in Baton Rouge spends an estimated \$120,000 for a full-time doctor and \$80,000 for operating costs. However, a clinic may cost less to operate in the Lafayette Region because the region has fewer people than Baton Rouge.

Charity hospitals can serve anyone in the state; therefore, another possible solution may be to refer clients to the Earl K. Long Hospital in Baton Rouge. There are no restrictions preventing clients living in the Lafayette Region from receiving surgical services at Earl K. Long. However, an LRS official said they cannot require the clients to go to Baton Rouge because the service must be convenient to the client. In addition, according to an Earl K. Long official, LRS could negotiate for a better rate with Lafayette area hospitals and doctors to pay only what Medicare and Medicaid would pay.

Recommendations

8. ***The Lafayette Region should examine the feasibility of referring Intervention to Prevent Blindness clients to the Earl K. Long Hospital in Baton Rouge.***
9. ***LRS officials should contract with Lafayette area hospitals and doctors to pay what Medicare and Medicaid would pay for eye surgeries and associated services.***

Matter for Legislative Consideration

1. ***The legislature may wish to consider the feasibility of adding an additional operating suite to UMC for the purpose of performing surgeries for those persons qualified for the Intervention to Prevent Blindness program and for other types of eye surgery needed in the Lafayette area.***

Some Services Purchased But Not Authorized on IWRPs

In some cases we reviewed in Lafayette, counselors approved services that were not listed on the IWRPs. LRS policy requires counselors to specifically identify on the IWRPs the services to be provided to clients. LRS procedures also require counselors to sign the IWRPs. Because these things were not done, LRS paid \$22,028 for services that were not authorized, according to the program's policies and procedures.

An example of a payment for services not included on the IWRP involves a client who applied for assistance with obtaining her college degree. The client had two cases with LRS. In the second case, the counselor conducted an economic needs test to determine the client's ability to participate in the cost of services. As a result of this test, the counselor indicated on the IWRP that the client would pay for all services except childcare and counseling using her Pell Grant and personal finances. (See Exhibit 20 on page 40 for a copy of this client's IWRP.) However, the counselor's narrative stated that LRS would pay for tuition. In total, LRS paid \$6,250 for tuition, \$4,650 for maintenance, and \$3,957 for books for this client, and none of it was authorized on the IWRP as being paid by LRS.

Exhibit 20
Example of IWRP
Louisiana Rehabilitation Services - Vocational Rehabilitation Program

Teacher		To acquire specific academic skills relating to goal.		
Start Date	End Date	Services Needed and Service Provider	Comp. Ben / Funding Source	Progress Evaluation Method & Schedule
12/1/01	5/31/01	I. Tuition: paid to USL II. Books III. Transportation IV. Maintenance V. Vocational Guidance and Counseling VI. Child care	Pell Pell Pell LRS LRS	Semester grade reports indicating at least 12 hours earned towards degree requirements and a cumulative gpa of 2.0

Source: Client's case file.

Also in the second case, the client requested a computer to assist with her homework. Without using an IWRP to authorize and approve the purchase, the counselor approved the purchase of a computer, workstation and chair, and a CD-ROM drive for \$3,194. The total cost of the second case was \$24,262. Authorized childcare payments made directly to the client totaled \$9,405, and services paid for but not included on the IWRP totaled \$14,857.

Another example involves a client who applied to LRS to open a second case following an injury on the job. We found no evidence in the case file that the client initiated a worker's compensation claim. The counselor authorized services for the client to study computer repair following a statement from the client that he enjoys working and repairing computers. Exhibit 21 shows an excerpt of the counselor's narrative. The counselor included tuition, books, and a portion of transportation costs on the IWRP. However, the counselor did not sign the IWRP, as required by LRS procedures.

Exhibit 21
Excerpt From Counselor's Narrative
Louisiana Rehabilitation Services - Vocational Rehabilitation Program

this time, [redacted] is working in the oil field. However, he was just injured on the job and has to be out of work for a short period of time. The oil field is also not a good working environment for [redacted] hearing loss. His hearing has become worse within the last two years. [redacted] also explained that he always enjoyed repairing "things around the house." He enjoys working and repairing computers. Also, this type of job would be conducive to his hearing loss.

Source: Client's case file.

This client later requested a computer so that he could do homework at work. Exhibit 22 shows an excerpt of the counselor's narrative. The client provided price quotes to the counselor, as requested. The counselor then authorized payment for a laptop computer costing \$3,014. However, this computer was not authorized on the IWRP. During this case, the client also received automatic payments for transportation for \$249.60 per month. LRS made these payments directly to the client. Within six weeks, the client withdrew from the computer-training program. LRS made five monthly payments totaling \$1,248 to the client before discontinuing the automatic payments. We estimated that about \$873 in transportation payments should not have been paid because the client was no longer in school. We discussed this with the counselor, and he said that he could not remember if LRS recovered these payments. In addition, the computer LRS purchased to help the client with his homework has not been returned to LRS. Finally, LRS did not make any payments for tuition, a service that *was* authorized on the IWRP.

Exhibit 22
Excerpt From Counselor's Narrative
Louisiana Rehabilitation Services - Vocational Rehabilitation Program

8-27-98 Counselor recently received a telephone call from the client. [redacted] indicated that he would need a computer for his course work at Remington College. He stated that a laptop computer would best suit his needs since he would be doing some of his homework at work. He could bring the laptop computer with him and it then would make it easier on him in completing his homework assignments. Counselor asked [redacted] to acquire price quotes on some laptop computers. Counselor received the price quote from [redacted] on a laptop computer. Since [redacted] and his family meets our agency's economic criteria, our agency will purchase the computer at no cost to the client. Copy of the price quote is filed in the case record. Counselor is authorizing the purchase of the laptop computer this date. The computer will be purchased from Office Depot, Lafayette.

Source: Client's case file.

LRS purchasing procedures require counselors to conduct an economic needs test to determine the client's ability to participate in the cost of transportation, books, personal computers, and maintenance. In both examples discussed, the counselors determined that the clients would be responsible for all payments except those that specifically noted LRS as the funding source on the IWRP. Furthermore, LRS' policy requires all services paid for by LRS to be authorized on the IWRP. However, in neither example did the counselor authorize on the IWRP the purchase of personal computers. In addition, the counselor did not authorize on the IWRP LRS' funding of tuition, maintenance, or books in the first example. The LRS procedures manual also requires counselors to sign the IWRPs. However, the counselor did not sign the IWRP in the second example.

As a result of the counselors' non-compliance with LRS' policies and procedures, LRS made payments of more than \$17,000 in these two cases for services that were not properly authorized on the IWRPs.

Recommendations

- 10. Counselors should follow its procedures for purchasing services by authorizing all services provided to clients on the IWRP. Counselors should be sure to sign all IWRPs they prepare, as well.**
- 11. Counselors should ensure that clients pay for the portion of services documented on the IWRPs as being the clients' responsibility.**
- 12. LRS should attempt to recoup payments made erroneously, such as the erroneous automatic transportation payments made that amounted to approximately \$873.**

Services Provided Did Not Always Address Clients' Functional Limitations

For some cases we reviewed in Lafayette, the services provided had no relation to the clients' functional limitations. LRS' procedures require that information in the case files address how the services will affect the clients' functional limitations. For these cases, LRS did not follow its policy concerning the provision of services. As a result, we cannot be sure that the services provided were warranted.

For example, in one case we reviewed, the client suffered from rheumatoid arthritis. The counselor placed this client in order of selection group I (most severely disabled). LRS provided college tuition, maintenance, books, supplies, and transportation payments for this client totaling \$16,452. However, we found no evidence in the client's case file showing that those services would change, modify, accommodate, or remediate the client's functional limitations of mobility, dexterity, and stamina. This evidence is required, according to LRS' procedures manual.

In another case, the client suffered from glaucoma. According to documentation in the case file, he was eligible for services through the Intervention to Prevent Blindness Program. However, before LRS could arrange for the client to have surgery, the client received the surgery, and it was covered by his medical insurance. About seven months later, he returned to LRS while his case was still open, and LRS provided him with college tuition. This was the only service provided in this case. The counselor presented no evidence in the case file showing how the tuition payments would help change, modify, accommodate, or remediate the limitations caused by the client's glaucoma, which had been corrected by his surgery. See the finding titled *Services Provided to Clients in Order of Selection Group III* for a more thorough description of this case.

In a third case, the client's disability was documented as major depression. The client was enrolled in college and had a part-time job when she applied to LRS. She applied to receive help with funding her college tuition. LRS provided college tuition, books, and supplies for this client. However, there was weak documentation in the case file showing how these services would address the client's depression. The certification of eligibility stated that a degree would allow the client to feel better about herself and raise her self-esteem. The counselor closed this

case after paying \$2,112 for tuition, books, and supplies. In a second case opened later, LRS again provided tuition, books, and supplies for this client, this time for \$10,207. In addition, LRS provided \$14,055 in payments for childcare and maintenance. The case file contained weak evidence showing how these services would address the client's documented functional limitations.

For each of these cases, there was little or no documentation in the case files to substantiate how the services would change, modify, accommodate, or remediate the client's functional limitations. This is important because the LRS' procedures manual states that the comprehensive assessment section of each case file must indicate how these elements will be addressed. If this is not done, there is no assurance that LRS is spending its money wisely or appropriately.

For these cases, it appears that the counselors did not follow LRS' procedures. It also seems that in these cases, LRS provided services that possibly could have been obtained from other sources. For example, LRS provided the client in the second example with tuition after his medical insurance company funded his eye surgery. So, although LRS accepted him through the Intervention to Prevent Blindness Program, LRS spent no money toward improving his eyesight. In the third example, the client was already attending college when she applied for services at LRS. Although documentation in the case file provided no specific information about the funding source for her tuition before applying to LRS, it is reasonable to conclude that her tuition was being funded through other means. These case examples raise the question of why these clients could not obtain student loans or other sources of funds to pay for their education.

According to LRS officials, LRS' procedures state that "services are considered necessary and appropriate if the services can address the identified functional deficits and assist the individual in performing job functions and/or gaining knowledge or skills necessary to compete for, obtain, or maintain employment." Although this may be true, it appears to conflict with the procedures regarding the comprehensive assessment section of the case file. These procedures state that there should be documentation of how the services will change, modify, accommodate, or remediate the client's functional limitations.

Recommendation

- 13. Counselors should ensure that the services they approve directly address the clients' functional limitations. Providing only these types of services should help remediate clients' limitations and allow them to pursue further education or employment on their own. It would also free up funds to use for other clients.***

Unrealistic Employment Goal

We found that the employment goal listed on the IWRP for one client in Lafayette was unrealistic. The client's employment goal was that of biomedical engineer, even though her vocational assessment indicated that she did not meet the minimal vocational aptitudes for this

field. This is evidenced in Exhibit 23, which is an excerpt from the vocational evaluation performed on this client.

Exhibit 23
Excerpt From Client's Vocational Evaluation
Louisiana Rehabilitation Services - Vocational Rehabilitation Program

The client did not meet the minimum occupational aptitudes required for the expressed vocational goal of Biomedical Engineer, DOT # 019.061-010, OAF #8, GDE #02.02.

Source: Client's case file.

In addition, this client had an ACT score of 17 and an overall high school GPA of 2.624. LRS' procedure manual states that the client's ACT score should be compatible with the average entry-level ACT score of the client's college of choice. At that time, the average ACT score of the client's college of choice was 23.1. The manual also states that a General Aptitude Test Battery (GATB) score of at least 110 could show potential success in college. The client scored a 92 on this test. Despite these facts, the counselor approved college tuition payments for this client in the biomedical engineering program at LSU. As justification, the counselor stated in the case file that "the client obviously does not test well." The counselor also stated that the client had earned a 4.0 GPA for the summer semester at LSU, but this was only for one math class. An excerpt from the counselor's narrative concerning this client can be seen in Exhibit 24.

Exhibit 24
Excerpt From Counselor's Narrative
Louisiana Rehabilitation Services - Vocational Rehabilitation Program

08-07-91 Counselor received client's GPA from LSU for the summer 1991 semester. Client earned a 4.0 average. One class was not taken for credit but she did take 6 hours and earned a A in the other class. Therefore, client will be considered eligible for rehabilitation services. An IWRP was agreed upon by the client and counselor. Financial information had been obtained previously. Client's GATB score is below minimum requirements; also ACT is below minimum; however, client does meet two of the prerequisites by having a 2.6 GPA in high school and previous college GPA of 4.0. Counselor feels that the client obviously does not test well and therefore feels justified in providing tuition, books, and supplies for the client as long she maintains a 2.0 GPA or above.

Source: Client's case file.

We question the counselor's decision to approve this case. The client began her first semester of college (after summer school) and earned a 1.66 GPA. LRS then discontinued services but later reinstated services when her GPA improved. Overall, the client attended three different universities, was twice granted exceptions to continue receiving services despite being below a 2.0 cumulative GPA, and finished with a 2.15 GPA in sociology. (See the finding titled *Counselors Did Not Always Adhere to Procedures Regarding Tuition Assistance* for a more thorough description of this client's grade status.) While in college, LRS changed the client's employment goal from that of biomedical engineer to community worker. The client ultimately accepted a job as a customer care representative for GTE in Houston, Texas. This employment did not appear to be related to her employment goal. In total, LRS paid \$16,452 in tuition and related services for this client.

About a year later, the client reapplied to LRS for assistance in attending graduate school. She stated that her previous job was only temporary. LRS opened a second case on this client and began funding her tuition, maintenance, books, supplies, and transportation. In total, LRS paid \$3,684 for these services. As of this report writing, the case is still open. The client's stated employment goal in her second case was to become a juvenile probation officer. However, the Louisiana Department of Civil Service employment requirements for "Probation and Parole Officer 1 - Juvenile" do not state that a master's degree is required. The requirements state that a baccalaureate degree is required for this position. Therefore, we question whether these expenditures were appropriate or reasonable.

LRS stated that in this case, services were provided to meet the individualized needs of the client consistent with informed choice. Nonetheless, based on our analysis, we believe that the goals were unreasonable.

Recommendation

- 14. *Counselors should carefully assess the likelihood of clients' collegiate success before agreeing to provide tuition and related services. This would help to ensure that the clients could successfully complete their training programs quicker, and, as a result, achieve cost savings.***

Little Evidence in Some Case Files Indicating Clients Required Services to Retain Employment

In the case files we reviewed in Lafayette, counselors did not always provide supporting evidence that indicated the need for services for clients who were employed before applying for vocational rehabilitation services. LRS' procedures require that the information in the case file must indicate how the proposed services will enable the client to obtain or retain gainful employment. However, management reduced the level of documentation required during the streamlining project. In addition, the number of cases assigned to counselors may have contributed to the reduction in the level of documentation. As a result, some case files contained little or no evidence showing that services were necessary for the clients to retain employment.

Therefore, we could not determine whether it was necessary for LRS to provide services in these cases.

We found that for 20 of the 56 separate case files we reviewed in Lafayette (35.7%), the clients were already employed before applying for vocational rehabilitation services. Of these 20 cases, eight (40%) contained little or no evidence supporting the need for services to retain employment. For example, in one case the client's medical evaluation report did not list any restrictions in activity, such as the inability to work. In fact, in the report the doctor stated that the recommended surgery could be done when the client desired, indicating that the surgery was not critical. In another case, documentation in the case file showed that the client had obtained employment one week before applying for services. No mention was made in her medical evaluation report that she would lose her job if she did not receive services from LRS to address her functional limitations. The information in this file also shows that the client had previously held a job without LRS intervention and that her termination from that job was unrelated to her functional limitations. Based on this information, we question whether the services LRS provided were necessary for these clients to retain employment.

According to LRS' procedures, counselors must assess how proposed services will address the clients' functional limitations. Counselors must also assess how services will assist clients in performing job duties and/or gaining the knowledge or skills necessary to compete for, obtain, or maintain employment. As mentioned earlier, management reduced the level of documentation required to substantiate the counselors' decisions.⁸ Also, according to LRS officials, the average caseload per counselor may prevent counselors from documenting as much information in the case files as is needed. Thus, in our review, the lack of documentation made it impossible to determine whether some services provided by LRS were necessary to assist the clients in retaining employment. Without such assessments, it is easy for unnecessary services to be approved.

Recommendation

- 15. Management should implement controls to ensure that all case files contain supporting evidence to justify the need for vocational rehabilitation services to retain employment.***

Comparable Services and Similar Benefits Not Always Explored

For 11 of the clients whose case files we reviewed in Lafayette, it did not appear that the counselors investigated any comparable services and benefits. LRS' procedures state that counselors must investigate and advise clients of any comparable services and benefits available. However, we often could not determine if this was done because of poor documentation in the case files. If this was not done, LRS may have funded services that could have been covered by other available services or benefits.

⁸ The reduction in the level of documentation required in the case files was a result of the streamlining initiative, which is discussed in the finding titled *Streamlining Initiative Reduced Management Control* in the "Other Management Issues" section of this report.

For these 11 clients, there was no evidence in the case files that counselors explored comparable services and benefits for the clients. Whether in forms or in narratives, the counselors offered no discussion of any comparable services for which clients may have been eligible. In most of these cases, the RS-14 form (the form LRS uses to determine the client's ability to participate in certain costs) had spaces for similar cash or non-cash benefits and services to be filled in. However, the counselors provided no documentation showing that they investigated other services. Thus, it was difficult for us to tell if there were any other benefits or services that could have been applied to these clients' cases.

We also reviewed a case where it appeared that an obvious comparable benefit was not investigated. The client was injured in an offshore accident and sought assistance from LRS to fund a small business enterprise. It would seem that this client may have been eligible for a worker's compensation settlement. However, there was no evidence in the case file that the counselor investigated this option.

LRS' procedures state that counselors must investigate and advise clients of any comparable services and benefits available under any other program. These services and benefits can be applied to the cost of the clients' vocational rehabilitation programs. Counselors are supposed to do this before authorizing services or committing funds. LRS is not required to use comparable services and benefits for some services, such as assessment services, guidance, counseling and referral, job placement, rehabilitation technology, or vocational and other training.⁹ However, for the services for which it is required, the procedures should have been followed to control spending and provide as many services to as many eligible clients as possible.

The lack of investigation into comparable services and benefits may have resulted in overspent funds. For example, in the case mentioned above, it is possible that the client could have received a worker's compensation settlement. This could have provided the client with the necessary funds to start his business. Instead, it was funded by LRS. Overall, it was difficult to determine whether other services and benefits may have been overlooked. This is because the counselors often did not document whether they conducted an investigation. Therefore, it was hard to tell if any investigation even took place.

Recommendation

- 16. Counselors should thoroughly investigate all comparable benefits and services before approving LRS funds for spending. Counselors should also thoroughly document their investigation of these comparable benefits and services.***

⁹ As of July 1999, the use of comparable services and similar benefits is now required for vocational and other training services.

Some Problems With Client Participation in Cost of Services

In some client case files we reviewed in Lafayette, there appeared to be some incorrect entries on the economic needs tests. The economic needs test, or form RS-14, is used to determine the client's ability to participate in the cost of services. LRS' procedures state that the client's financial status would be considered when providing certain vocational rehabilitation services. However, in some cases, the counselors mis-entered or excluded some of the clients' financial information. Thus, it appears that LRS may have paid more than necessary for some services.

For example, one client returned to LRS to open a second case for additional services. His application was a photocopy from the first case, which showed three family members. However, his RS-14 form, used in determining monthly expenses, showed four family members. We did not find any documentation in the case file that explained this discrepancy. Also, the RS-14 form appeared to originally show a monthly surplus of \$680, which seemed correct. However, it was changed to indicate a \$480 surplus, which the counselor stated in the case file that the client would contribute toward the purchase of tools and equipment. The client only contributed \$327, and we found nothing in the case file that explains the difference. LRS' procedure manual states that purchases of tools and equipment are subject to client financial participation. Using the correct surplus amount of \$680, it seems that LRS paid \$353 more than it should have for these services.

In another case we reviewed, the client applied to LRS for assistance in attending college. At the time, client participation was not required for tuition assistance. It was, however, required for other services such as books, supplies, and room and board. Documentation in the case file indicated that the client was earning between \$385 and \$730 per month in gross wages. However, her RS-14 form did not list any income, except for an in-kind contribution of room and board from her parents. The counselor provided no explanation of why this information was excluded from the client's RS-14 form.

LRS later opened a second case for this same client. On the RS-14 form dated June 16, 1997, the counselor allowed mortgage/rent payments as a monthly liability. However, the client was receiving maintenance (i.e., room and board) payments from LRS at the time. The maintenance payments should have covered this expense. The same situation occurred on this client's RS-14 form dated May 12, 1998. This form overstated the client's liabilities. In both instances, excluding these amounts would have indicated that the client had a monthly surplus, meaning that LRS should have required the client to participate in the cost of the services provided.

In a third example, the client applied to LRS for assistance with eye surgery. His RS-14 form showed a net monthly surplus of \$620, and it appears that he contributed this amount toward his surgery. The counselor followed LRS' procedures concerning client contributions. However, it is questionable whether LRS should have helped fund surgery rather than having the client pay off his surgery bill over time since he had the available income to do so.

A fourth example illustrates how LRS' expenditures can be a cause for concern even if all procedures are followed. During this client's two cases, which lasted over 11 years, LRS paid for college tuition, on-the-job training, maintenance, transportation, equipment, reader services, and various assistive technology devices and services. Documentation in the case file showed that the client's parents were "well-to-do" and "way above the economic needs level." This can be seen in Exhibit 25 below, which shows the counselor's notations concerning this client.

Exhibit 25

Excerpt From Counselor's Narrative

Louisiana Rehabilitation Services - Vocational Rehabilitation Program

The family is very well to do. They live in a beautiful, large home in a very nice section of [REDACTED]. They have purchased many aids and appliances for [REDACTED] including two Visual Teks (co tv's) and a computer. [REDACTED] doesn't use her visual aids, however.

Source: Client's case file.

Over the course of this client's two cases, LRS paid approximately \$85,000 for services. Under LRS' procedures, much of this was allowable since many of the expenditures were for assessments, college tuition, or reader services. At the time, these services did not require an economic needs determination. Also, two years into the client's first case, the client reached adult age and applied for and received SSI benefits. Nonetheless, the case serves as an example of how LRS' liberal spending practices could have contributed to its budget shortfall.

Recommendation

17. *Counselors should exhibit great care when obtaining and documenting financial information on clients. In doing so, counselors should obtain outside verification that the information presented by the clients is accurate. This would help ensure that clients pay for applicable portions of services and that LRS does not overspend in cases where clients can afford to contribute to the cost of their plans.*

Counselors Did Not Always Adhere to Procedures Regarding Tuition Assistance

In the cases we reviewed in Lafayette, counselors did not always comply with procedures governing tuition assistance. LRS' procedures require counselors to take certain steps when authorizing tuition assistance for eligible clients. Counselors may have disregarded the procedures because LRS did not provide sufficient oversight during the time period covered by our review. As a result, LRS may have provided tuition assistance to clients who did not meet or maintain LRS' requirements.

LRS provides tuition assistance for eligible clients who desire to attend college; barber or beauty school; business school; trade, technical, or nursing school; or private rehabilitation facilities. Over the past three fiscal years, LRS has paid approximately \$49.2 million in tuition for these clients. Exhibit 26 shows tuition expenditures for the past three fiscal years.

Exhibit 26 Tuition Expenditures FYE 1997 Through FYE 1999 Louisiana Rehabilitation Services					
Type of Institution	FYE 1997	FYE 1998	FYE 1999	Total	% of Total
College	\$9,524,493	\$11,955,257	\$13,770,631	\$35,250,381	72%
Barber/Beauty School	136,190	173,429	273,294	582,913	1%
Business School	242,692	226,113	300,512	769,318	2%
Trade, Technical, or Nursing School	1,309,182	1,743,678	2,451,562	5,504,421	11%
Private Rehab Facility	2,202,724	2,493,995	2,376,618	7,073,337	14%
Total	\$13,415,281	\$16,592,471*	\$19,172,618*	\$49,180,370	100%
*Total is off by \$1 because of rounding. Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We noted problems with some BRIS data. However, we compared this information to LRS' information and found it to be reasonable for presentation purposes.					

As can be seen from the exhibit, college tuition, by far, comprised the largest proportion of these payments. College tuition amounted to 72% of the total tuition payments made over the three-year period.

Eligibility Criteria

Exhibit 27 shows the minimum requirements for college tuition assistance. A client is eligible for college tuition assistance when supporting evidence indicates that the client has the abilities and capabilities to succeed in college-level training. Supporting evidence may include, but is not limited to, American College Testing (ACT) scores, high school grade point average (GPA), previous college GPA, psychological testing, and vocational evaluations. If the client has had previous college training, supporting evidence may also include a minimum of 12 semester hours earned (or 8 quarter hours) and a minimum overall GPA of 2.0, or attainment of an associate degree.

Exhibit 27		
Minimum Requirements for College Tuition Assistance Louisiana Rehabilitation Services - Vocational Rehabilitation Program		
Requirements	Four-Year Degree	Two-Year Degree
<i>No previous college training, two of the following:</i>		
General Aptitude Test Battery (GATB) G-Factor	110	100
Wechsler Adult Intelligence Scale (WAIS) Verbal IQ	110	100
High school GPA	2.5	2.0
<i>Previous college training:</i>		
College GPA and	2.0	2.0
Semester/quarter hours earned or	12/8	12/8
Successful completion of an associate degree program	Yes	N/A
<i>An ACT score compatible with the average entry-level ACT score of the client's choice of college/university is required for a four-year degree and a two-year degree.</i>		
Source: Prepared by legislative auditor's staff using LRS' Technical Assistance and Guidance Manual.		

During our review of case files in Lafayette, we found several files for clients who received tuition assistance but lacked supporting documentation showing that the clients were eligible for the service. Specifically, for four of the 13 clients in our review who received tuition assistance (30.8%), there was no supporting evidence in the case files assessing the clients' potential for successful completion of college training. These cases are described in the following paragraphs.

In the first case, we found documentation showing that the client had an ACT score below the institution's average entry-level score. In addition, the documentation in the case file showed that the client had attended college before applying for vocational rehabilitation services but earned only six semester hours. LRS officials stated that the client met two requirements for college training: high school GPA and prior college GPA. However, as stated previously, the client should have obtained the required ACT score. In addition, the client should have earned 12 semester hours before LRS provided tuition assistance, not just six.

In the second case, the client had previously attended college, but she had earned only one semester hour and had attained only a 0.3 overall GPA. Furthermore, when this client applied for services from LRS a second time, she had earned only nine semester hours. LRS officials stated that the counselor's determination of this client's ability to succeed in college-level training was based on the client's ACT score and qualification for placement in

honors-level English. However, as stated previously, the client should have obtained an overall college GPA of 2.0 and 12 semester hours.

In the third case, the counselor stated in the case file that the client had achieved a 3.6 high school GPA, yet we could not find any supporting evidence of this in the case file. This client was deaf-blind, and according to LRS officials, specialized assessments¹⁰ were used to determine the client's ability to succeed in college-level training. However, this does not preclude the need for documentation of the client's high school GPA.

Finally, for the fourth client, there was no evidence of the client's ACT score or high school GPA in the case file, other than the counselor's notations.

None of the case files for these four clients contained documentation of a WAIS Verbal IQ. Also, only one file contained documentation of a GATB G-factor. This client's score, however, was below the minimum required score.

LRS' procedures require that, once the client begins the training program of his/her choice, the counselor must take certain steps to monitor the client's progress. For instance, the counselor must obtain the client's grades for each semester and assess the client's progress toward completion of the degree requirements. The counselor should also assess the client's feasibility for continued college training and provide guidance and counseling. Furthermore, the counselor must ensure that the client is aware of LRS' expectations for continued services. These expectations include, but are not limited to, completion of a minimum of 12 hours per semester¹¹ (or eight hours per quarter) and attainment of a minimum 2.0 overall GPA.

Based on information contained in the case files, for four of the 13 clients in our Lafayette review who received tuition assistance (30.8%), the counselors did not document in the case files their assessment of the clients' progress. For two of these clients, the counselors also did not obtain a copy of the clients' grades for each semester. In addition, two of the clients did not complete the minimum 12 semester hours required. One client did not meet this requirement for three semesters, and the other client fell below 12 hours during two semesters. There was no indication in either of these case files that the counselors ceased providing tuition assistance.

We also observed other instances of non-compliance while reviewing case files in Lafayette. For instance, on one client's plan, the counselor did not authorize tuition assistance, yet LRS paid \$6,250 in tuition assistance for the client. In addition, three clients withdrew from classes after LRS paid the institutions for their tuition. One of these clients withdrew from classes in both of her cases. There was no indication in three of these cases that LRS was reimbursed, and in the fourth case, LRS was refunded only \$99 by the institution after paying \$396 toward the client's tuition. Finally, LRS overpaid the amount of tuition for two semesters

¹⁰ According to LRS officials, standardized tests may not be valid for individuals who are deaf-blind nor may these individuals be able to take these tests. The Louisiana School for the Deaf and Gallaudet University both have the capacity to fairly test individuals who are deaf-blind, according to LRS.

¹¹ Only six semester hours are required for summer school.

for one client. These overpayments totaled \$133. There was no indication in the case file that LRS was reimbursed for these overpayments.

Finally, if a client has demonstrated the ability and capability to succeed in post-graduate training, the counselor may provide tuition assistance for such training, provided that the training is commensurate with the client's employment goal. LRS paid \$2,224 in tuition assistance for graduate-level training for one of the clients in our Lafayette review, even though her employment goal was that of probation and parole officer, which does not require a master's degree. Therefore, according to LRS' procedures, LRS should not have funded her tuition.

Recommendation

- 18. Management should implement controls to ensure that counselors adhere to the procedures regarding the authorization of tuition assistance.***

Procedures Not Always Followed for Small Business Enterprises

LRS counselors did not fully follow LRS' procedures regarding small business enterprises in two case files we reviewed in Lafayette. LRS' procedures state that expansion services and non-profit businesses, among other things, cannot be funded. It appears that these procedures were either overridden or ignored. Disregard for these procedures may have led to unnecessary spending, thus limiting the amount of funds available for other clients in need of services.

For example, in one case we reviewed, a potential client was unemployed at the time of his application to LRS because of an offshore back injury. He applied to LRS for funding to start a small business in marine propeller repair. LRS opened a case and agreed to purchase tools, while the client paid for the building structure. However, LRS purchased almost \$3,000 more in tools than the counselor authorized on the client's initial plan. The regional manager was aware of this additional purchase, but the client's plan was not amended to reflect the change. Also, the purchases were coded as "Occupational Equipment - Tools," even though the counselor discussed this case as a small business enterprise throughout his narrative. Therefore, it appears that the purchases should have been coded as "Small Business Enterprise."

In addition, LRS paid for two additional tool purchases after the business was established so that the client could "provide extra services," according to the counselor. However, LRS' procedures state that funds will not be provided for expansions of or improvements to a business. According to LRS, although the counselor used the word "expand" in his narrative, this purchase encompassed the overall start-up of the business and not expansion. However, this second purchase occurred eight months after the initial tool purchase. Also, we found no evidence in the case file that suggested this was part of the overall start-up costs. Therefore, we question the propriety of classifying this purchase as a start-up expense. Finally, the client was required to develop a business plan, which he did; however, the plan did not meet half of the guidelines it was supposed to meet.

The client later returned to LRS to request assistance in purchasing another tool to expand his business. The counselor opened a new case. Again, this action violated the LRS' procedure requiring that funds not be provided for expansion of a business.

A second example involves a client who had been placed in employment by LRS previously and was into her sixth case. LRS provided funds for her to start a non-profit organization. However, funding non-profit organizations is explicitly prohibited in LRS' procedures. According to documentation in the case file, the LRS' director granted an exception in this case. Also, the client only contributed about 18% of the start-up costs, rather than the required 20%.

As previously stated, the LRS' director is documented as having approved the small business enterprise in the second example, despite it being against LRS' procedures concerning non-profit businesses. However, the director did not provide clear justification as to why LRS' procedures were being overridden for this case. According to LRS officials, this exception was documented and justified through a series of e-mails between the Lafayette regional manager and the LRS director. However, our review of the e-mails indicates that the correspondence was between the regional manager and the program services administrator, not the LRS' director. LRS also stated that exceptions by the LRS' director are authorized in the LRS' policy manual and that there was evidence in the case file that the client had a viable background for her business. We do not disagree with these statements; however, we believe that the LRS' director should have provided written and signed authorization for a policy exception of this degree.

The two cases described illustrate instances where procedures were either ignored or overridden. LRS' procedures state that "once the initial business is set up, LRS will not provide funds for expansion or improvements to the business." However, LRS ignored or overrode this procedure in both cases in the first example. In addition, the following procedures for small business enterprises were required but not followed for one or both of the cases discussed:

- Client must attend at least one workshop on small business development. (We found no evidence indicating that the second client attended any workshops.)
- Client must develop a business plan that includes estimates of revenues and expenses, estimates of profit, a market analysis, and evidence that the business has the potential to generate profits to support the client and his or her family. (Both clients developed proposals, but neither proposal included these items. However, this procedure may not be applicable for the second client, since her business was non-profit.)
- Client must submit the business plan to a Small Business Development Center (SBDC) for evaluation of the viability of the business venture and share with LRS their evaluation of the business plan. (This was done to some extent for the first client, but there was little evidence of it. There is no evidence a SBDC reviewed the business plan for the second client.)

Lack of adherence to procedures for these types of cases could lead to misspent funds. In neither case was any evidence present in the case file showing the likelihood that either business could succeed. Also, the first case begs the question of why the client could not first seek a bank loan to start his small business.

Recommendation

- 19. *Before cases are approved, counselors should thoroughly review all procedures related to small business enterprises to ensure that they are being met.***

Counselors Did Not Always Follow Purchasing Guidelines for Other Services

We found that in 33 of the 56 cases we reviewed in Lafayette (59%), counselors authorized payment for some services for clients without following purchasing guidelines. The LRS' policy manual specifically states that LRS staff must follow all applicable state, departmental, and agency purchasing guidelines. Since counselors did not always follow LRS' purchasing guidelines when approving services for clients, LRS may have paid excessive amounts for services or paid for services for which clients did not qualify.

The purchasing procedures provide specific requirements for purchasing services, including what can and cannot be purchased. The guidelines provide an important internal control over program expenditures.

For example, in one case file we reviewed, the client requested a computer to assist him with homework. LRS' purchasing guidelines allow counselors to purchase computers for clients who need them to successfully participate in training or to enter into or retain employment. However, the only documentation we found in the client's case file for determination of need was that the client called the counselor and requested a computer. LRS' procedures also require the counselor to determine whether the computer is essential for the client's successful vocational rehabilitation. There was no evidence in the case file that the counselor contacted the college to determine that this computer was necessary for the client to complete his training.

Purchasing procedures also require the counselor to contact prospective employers or others to determine what equipment was needed for employment. This client subsequently dropped out of the computer-training program and found a job without assistance from LRS. There was no evidence in the case file that the counselor contacted the client's employer to determine the need for the client to keep the computer.

Finally, the client received payments automatically for transportation. Purchasing procedures only allow transportation payments to be made while the client is receiving services. However, the client dropped out of school after six weeks, and transportation payments continued for three additional months.

In another case we reviewed, the counselor approved payments for childcare services. There are no purchasing procedures regarding childcare in the LRS' purchasing guidelines. This means there is no cap on total childcare payments, no guidelines for the counselor to follow to qualify the client for childcare services, and no guidelines to follow to determine the maximum amount for the periodic payments made for childcare. During this case, the client received

\$9,405 for childcare. These payments were made directly to the client with no controls in place to ensure that this money was being used for childcare.

Authorization of services without following procedures may have resulted in overspending by LRS of thousands of dollars. These payments were made with funds that other disabled persons may have qualified for and may have needed to become employable or to retain their employment.

Recommendations

20. ***LRS management should monitor to see that LRS' purchasing guidelines are followed, which will help ensure that services are obtained and paid for in accordance with the guidelines.***
21. ***LRS management should develop official agency purchasing guidelines for the provision of childcare services to clients.***

Little Evidence in Some Case Files of Guidance and Counseling

In many instances, the level of documentation found in the case files we reviewed in Lafayette provided little or no evidence that guidance and counseling were provided to clients during service delivery. LRS' procedures require that case files contain significant information relative to vocational guidance and career counseling that substantiates the rationale for all decisions made by the counselors. However, management reduced the level of documentation required during the streamlining project.¹² In addition, the number of cases assigned to counselors may have contributed to the reduction in the level of documentation. As a result, some LRS counselors cannot account for many of the guidance and counseling activities they performed during service delivery.

Specifically, we found that 28 of the 56 separate case files we reviewed (50%) contained little or no evidence of guidance and counseling. LRS' procedures dictate that case files are used to record the counselors' contributions to the rehabilitation process, to serve as references regarding the clients' responsibilities, and to document actions taken and future actions planned. Without the required level of documentation, it is impossible to determine whether the counselors provided services in accordance with the program's procedures.

As stated earlier, one of the effects of the streamlining initiative was a reduction in the level of documentation regarding guidance and counseling. According to an LRS official, streamlining was supposed to eliminate repetitive information in the case files. However, according to this official, many counselors misunderstood this intent and went too far. The result

¹² The reduction in the level of documentation required in the case files was a result of the streamlining initiative, which is discussed in the finding titled *Streamlining Initiative Reduced Management Control* in the "Other Management Issues" section of this report.

was a lack of accountability related to the counselors' contributions to the rehabilitation process. Also, the average caseload per counselor may prevent counselors from documenting as much information in the case files as is needed, according to LRS officials.

Recommendation

- 22. *Management should implement controls to ensure that case files provide supporting evidence that substantiates the level of guidance and counseling provided by the counselors.***

Number of Successful Case Closures May Be Overstated

LRS counselors did not always adhere to the minimum requirements for successful case closure for some of the cases we reviewed in Lafayette. LRS sets forth criteria for successful case closure in its procedures manual. However, management provided no oversight regarding some counselors' closure decisions. As a result, some clients' cases may have been closed as successfully rehabilitated even though the clients were not rehabilitated, thus overstating the number of successful closures.

According to the LRS' procedures manual, a client has achieved a successful employment outcome when all of the following are met:

- The services authorized on the client's plan are substantial and contributed to his/her achievement of the employment goal.
- The employment outcome is consistent with the client's abilities, capabilities, interest, and informed choice.
- The employment outcome is in the most integrated setting possible consistent with the client's informed choice.
- The client has maintained the employment outcome for a period of at least 90 days.
- The client and the counselor consider the employment to be satisfactory and agree that the client is performing well on the job.
- The client is working at least 20 hours per week and is earning at least minimum wage.

In our review of case files, we found that some cases did not meet the minimum criteria for successful closure. Specifically, some of the employment outcomes do not appear to be consistent with the services that LRS provided. For example, LRS paid \$16,452 for tuition and other education-related expenses for one client who subsequently became employed as a

customer care representative in Houston, Texas. LRS officials stated that this job was compatible with the client's informed choice. While this may be true, we question whether the services that LRS provided contributed to the client's employment.

In addition, for at least three other cases we reviewed, the clients were not working 20 hours per week at the time of their case closure. Two of these clients were working 15 hours per week, and one client was working 12 hours per week, according to documentation in the case files.

We also found that LRS was responsible for placing clients in employment for only three of the 56 separate case files we reviewed (5.4%). In 18 cases, the clients found employment either through their own efforts or through the efforts of third parties. In 10 cases, the clients were already employed before applying for vocational rehabilitation services, and they maintained that employment throughout the rehabilitation process. In the remaining 25 cases, the clients were not placed in employment for various reasons including the following:

- The case was still open at the time of our review.
- The client was determined ineligible.
- The client was unable to complete the rehabilitation process.

Counselors' non-compliance with policies concerning case closure may be attributed to the streamlining initiative. As stated earlier in this report, management eliminated supervisory reviews for many counselors during this initiative. These counselors were granted the authority to make their own approval decisions regarding case closures, among other things. As a result, counselors may have closed some cases before the clients were successfully rehabilitated.

On January 28, 2000, LRS terminated counselors' authority to approve case closures without supervisory reviews. At that time, LRS began requiring supervisors to conduct reviews on all counselors, evaluators, and specialists, regardless of their level. Regional managers must now ensure that these reviews are completed.

Recommendation

23. ***Management should continue to ensure that the counselors are adhering to the policies and procedures regarding the minimum requirements for successful case closure.***

Counselors Opened New Cases Instead of Providing Post-Employment Services

For at least three clients whose case files we reviewed, the counselors opened new cases when the services provided could have been considered post-employment services (status 32) for the previous cases. This may have occurred because LRS considered the number of successful

case closures¹³ as a factor for promotion. LRS' procedures manual states that counselors can provide post-employment services to a client to maintain or advance on a job. Opening a new case rather than providing post-employment services on an existing case may have resulted in an inflation of the number of successful case closures.

For example, LRS helped place a client in a job as a computer engraver. The counselor then closed this case to status 26. Two years later, the client, who was still working at the same job, returned to LRS and requested a new computer. She stated that she needed the computer to maintain her employment. A computer assessment requested by LRS documented that a new computer would increase her work skills. The counselor opened a second case, provided the computer equipment, and then closed this case to status 26.

In another case we reviewed, a client applied to LRS for assistance in starting a small business. LRS provided him with tools and equipment, and, according to the case file, the client successfully established his business. The counselor then closed this case to status 26. A few months later, the client returned to LRS for assistance in buying another piece of equipment, which, according to the case file, would help expand the services of his business. The counselor opened a second case, provided the client with the tool he desired, and closed the case to status 26.

In a third case, the client had received education and training in three previous cases with LRS, and she was employed. LRS had closed her third case to status 30 before services began in that case. The client later returned to LRS for physical restoration assistance. The counselor's narrative stated that the client was experiencing decreased job performance. The counselor opened a fourth case and provided over \$40,000 in home and vehicle modifications and other restorative devices for the client. The client then accepted a new job, and the counselor closed the fourth case to status 26, although there was no evidence in the case file showing that the new services led to the new job.

The client returned to LRS about a year later and requested repairs to previously purchased equipment, as well as new restorative equipment. The client was still employed at this time. The counselor opened a fifth case for the client and provided the services. Although the counselor described these services as "post-employment" throughout her narrative documentation, she nonetheless opened the new case instead of providing post-employment services to the old case. The counselor later closed the fifth case to status 26, even though the client was not placed in a new job.

Three and a half months later, the client again returned to LRS. This time she wanted a new computer to enable her to work out of her home, which was authorized by her employer. The counselor opened a sixth case for the client. Later, in the sixth case, the client requested and was granted funds to start a non-profit business. (See the finding titled *Procedures Not Always Followed for Small Business Enterprises* for a more thorough discussion of this client.)

¹³ A case is considered successfully closed when the client has been rehabilitated and successfully employed for at least 90 days.

It appears that the counselor should have provided post-employment services, rather than opening new cases, for at least some of these clients' subsequent cases. The LRS' procedure manual states that post-employment services can be provided "after a client has been determined to be rehabilitated." LRS can provide post-employment services to help a client either maintain a job or advance on a job within three years of status 26 closure. It appears that in each of the cases we discussed, LRS provided the services to help the client maintain or advance on their jobs.

The cause of these new cases being opened may be related to counselor quotas. Counselors must meet quotas for the number of status 26 closures that their clients attain. Before January 28, 2000, these closure quotas were a factor in receiving Independent Approval Status, which was required for promotion from Counselor 2 to Counselor 3. This quota system, in effect, would have provided counselors with an incentive to open new cases and subsequently close them to status 26, rather than simply providing post-employment services on existing cases.

The effect is that the counselors were allowed to artificially inflate the number of status 26 closures. For each of the first two clients discussed in this section, the counselor would have received credit for one additional closure than was actually achieved. For the third client, the counselor would have received credit for two additional closures than were achieved, with a third one pending because this case is still active.

Recommendation

- 24. LRS should use supervisory reviews to help ensure that counselors do not open new cases when only post employment services for preceding cases may be necessary.***

Provision of Same Services to Clients With Multiple Cases Questionable

LRS' provision of the same services to clients with multiple cases appears to be unreasonable in some instances. According to LRS officials, the client case files should document the rationale that the counselors used when providing the same services to clients with multiple cases. In some cases we reviewed in Lafayette, the rationale did not appear to be reasonable. In other cases, management's decision to reduce the level of documentation required during the streamlining project left us little information on which to make a determination. As a result, the case files in some instances did not justify the need for provision of the same services to clients throughout multiple cases.

A total of 22 of the 31 clients whose case files we reviewed (70.9%) had multiple cases. Multiple cases means that the clients returned to LRS for further services after LRS had closed their initial cases. LRS provided some of the same services in later cases as it did in earlier cases for 19 of these 22 clients. We determined that for six of these clients, providing the same services repeatedly did not seem reasonable based on the documentation in the client case files, which did not substantiate the need for these repeat services.

For example, in one case we reviewed, the client applied for vocational rehabilitation services and decided to attend cosmetology school. LRS paid \$5,385 for her tuition and transportation, and she successfully completed the program. Soon thereafter, she began working as a cosmetologist out of her home, and LRS closed her case. Subsequently, the client applied for services a second time because she wanted to attend massage therapy school to expand her business. LRS again paid for her tuition and transportation. This time, LRS paid a total of \$7,513. The counselor's justification for providing the same services again, as documented in the case file, was that the client did not make enough money to support herself. We question the propriety of providing additional training and transportation services in the second case when the client did not demonstrate the ability to succeed after the first case.

We also noted that for eight clients whose cases we reviewed, there was little or no evidence in the case files indicating that the services provided in the initial cases were considered in the later cases. This suggests that LRS may have provided services to these clients without regard for the effect that those services had on the clients in their previous cases. If LRS provides services to a client and the services do not result in the client's rehabilitation, we question the propriety of providing the same services again in subsequent cases. For instance, LRS paid \$14,818 in tuition for a client to attend the Affiliated Blind of Louisiana (ABL). The client withdrew from the program after attending only six of the nine months of training that was planned for him, and he moved to Texas. LRS then closed the client's case. However, nine months later, the client again applied to LRS for tuition assistance for the same training. LRS opened a second case and paid \$4,583 in tuition to ABL and an out-of-state training program. The client withdrew from the out-of-state training program after about three months, one month short of completing the program. We question whether LRS should have provided tuition assistance in the second case after it did not result in successful case closure in the first case.

LRS spent \$16,038 in questionable services for the cases we reviewed. LRS also spent \$48,225 on the same services in subsequent cases for which there was little or no evidence in the case files indicating that the counselor considered the effect of the services provided in the initial cases. If LRS limited the provision of the same services to only those clients who displayed an obvious need and the willingness to cooperate, LRS could have spent some or all of the \$64,263 provided for repeat services on other eligible clients who needed services.

According to LRS officials, LRS will provide the same type of services to a client more than once if there is documentation in the case file indicating that the client continues to require those services for rehabilitation. However, according to LRS, counselors cannot refuse services to clients who have been uncooperative nor can they limit the number of times LRS provides the same service to a client. This is because LRS officials are of the opinion that federal regulations prohibit them from refusing services to any eligible client.

Recommendations

25. *LRS should obtain an opinion from the Rehabilitation Services Administration regarding the provision of the same services in subsequent cases to clients who do not display an obvious need or the willingness to cooperate in the earlier cases.*
26. *If it is determined that LRS cannot limit the provision of additional services of the same type for clients who were not successfully rehabilitated when those services were provided previously, LRS should implement other measures to control the cost of providing the same services to clients throughout multiple cases.*

NO ECONOMIC NEEDS TEST FOR TUITION

LRS may have paid more for tuition assistance than necessary. This is because before July 1, 1999, LRS did not require clients to contribute to the cost of tuition. According to a survey conducted by LRS, 20 other state vocational rehabilitation agencies do require clients to participate in the cost of tuition. Because LRS had no requirement for clients to contribute to the costs of tuition, LRS provided tuition assistance to clients who could have otherwise afforded some or all of the costs, thus limiting the amount of funds available for other clients.

LRS' procedures require counselors to determine their clients' ability to contribute to the costs of certain services by conducting an economic needs test. These services include, among others, room and board; transportation; books; occupational tools, equipment, and licenses; and discretionary training fees that are not included in tuition.¹⁴ However, the procedures did not require an economic needs test for tuition until July 1, 1999, according to an LRS official. As a result, LRS may have spent more money on tuition assistance than was necessary before that date.

In our review of case files in the Lafayette Region, we found several instances where LRS paid tuition for clients who probably could have afforded to pay at least part of the tuition themselves. For instance, for two of the 13 clients in our review who received tuition assistance (15.4%), the counselors' calculations on the initial economic needs tests indicated that the clients could have contributed to the costs of services. The amount of money that LRS expended for tuition assistance on behalf of these two clients totaled \$25,388.

In three other cases, the clients' financial situations changed during the rehabilitation process, and the counselors conducted additional economic needs tests.¹⁵ The additional tests determined that the clients could have participated in the costs of services. However, LRS did not require them to do so because these cases were opened before July 1, 1999. In two of the cases, LRS did not fund any tuition assistance after the counselor determined that the clients

¹⁴ Discretionary training fees include car registration fees and student health service fees, among others.

¹⁵ According to LRS guidelines, if a client's financial situation changes, an economic needs test should again be conducted to determine the client's current ability to contribute to the costs of services.

were able to contribute to the costs of services. For the third client, however, LRS paid \$10,274 in tuition assistance after the counselor conducted the additional economic needs test. This client was documented as being from a "well-to-do family." The client's case file contained numerous statements about her family's income level.

Finally, we found no economic needs tests in the case files for two clients who received tuition assistance in our review. However, in one of the cases, an economic needs test was not required because tuition was the only service being provided. If economic needs tests are not conducted, LRS misses an opportunity to control the costs of services. If LRS' procedures had required clients to contribute to the costs of tuition before July 1999, LRS might have been able to use a portion of the \$35,662 it expended on tuition assistance for the clients discussed in this section to pay for services for other clients.

According to an LRS survey of 35 state vocational rehabilitation agencies, 20 state agencies require an economic needs test for tuition, and 10 agencies do not. The other five agencies indicated that they do not specifically require an economic needs test for tuition, but they do apply other conditions or limits to the amount of tuition assistance they provide. Therefore, in total, over 71% of the state agencies responding to the survey said that they use some type of cost control measure over tuition assistance payments.

As mentioned earlier, on July 1, 1999, LRS amended its procedures to include tuition among the services for which an economic needs test is required, according to an LRS official. LRS also revised the form it uses to conduct the economic needs test. The new form, called a financial need analysis, exempts recipients of TANF or food stamps and clients with a total yearly gross family income below the specified poverty levels from contributing to the costs of services. The client must contribute to the costs of services if his/her available resources are greater than \$0. If the client's resources are equal to or greater than \$10,000, he/she must pay 100% of the costs of services.

Recommendations

27. ***LRS should continue to apply the economic needs test for tuition assistance payments. This cost control measure will help ensure that LRS is providing tuition assistance based on clients' financial needs.***
28. ***LRS should explore other ways of controlling the amount of tuition assistance payments it applies to individual cases.***

SERVICE PROVIDERS: BACKGROUND INFORMATION

LRS obtains services for clients from various types of providers. As will be explained later in this section, LRS has established various methods to manage the rates that each type of provider charges. We spoke with an LRS official to determine how the program works. When clients receive services from providers, the counselors are responsible for ensuring that the rates the providers charge do not exceed the established rates. Appendix G provides a summary of the amounts paid to different provider types for FYE 1997, 1998, and 1999.

Medical Fee Schedule

LRS has established a fee schedule to manage the cost of medical assessments and treatments. The medical fee schedule includes most types of medical examinations, psychological evaluations, hearing evaluations, and special procedures such as CAT scans and MRIs. The medical fee schedule establishes maximum rates for each type of medical service. LRS also maintains a list of doctors and medical facilities and their established rates within each region.

Clients may choose which doctors or medical facilities to use, but LRS should pay only up to the fee schedule amount for services. The LRS director can, however, authorize exceptions to the fee schedule amounts. LRS will pay for medical treatments directly related to employment outcomes. For example, LRS will pay for up to six months of psychotherapy if the service is related to vocational rehabilitation.

Counselors are responsible for enforcing the medical fee maximums by ensuring that fees charged do not exceed the maximums on the fee schedule. According to an LRS official, LRS has not increased the maximum rates in several years. This official said that when medical vendors request rate increases that do not exceed the maximum set fee, the requests are usually approved because LRS considers any fee up to the maximum fee to be a fair rate. This official also said that there is no formal method for setting maximum rates. However, LRS has taken some steps to create a system for medical consultants to review requests for rate increases when the requested rates go over the maximum fee on the fee schedule.

Providers of Training Programs

LRS has established rates to manage the costs of the various types of training and community rehabilitation programs. Section 500 of the LRS Technical Assistance and Guidance Manual is a catalog of provider information and rates. Exhibit 28 shows the various types of providers included in Section 500. Each provider submits a document called the manual material to LRS, which is inserted into Section 500. For example, for colleges and universities, Section 500 includes the manual material for Louisiana State University and any other college or university in Louisiana and out-of-state that trains LRS clients.

Exhibit 28
Providers of Training and
Community Rehabilitation Programs
Louisiana Rehabilitation Services -
Vocational Rehabilitation Program

- Colleges and Universities
- Community Colleges
- State Vocational Technical Colleges
- Proprietary Schools
- LRS - Operated CRPs
- Private CRPs
- Blind CRPs
- Deaf CRPs

Source: LRS' Technical Assistance and Guidance Manual.

The manual material contains descriptions of the services offered by each provider and the rates charged for each service. The manual material does not contain any performance data on providers, such as job placement rates, quality of service, or product information. Counselors use the manual material information to give clients a list of providers from which to choose.

Regional managers used to be responsible for approving manual material for new providers. However, on December 17, 1998, this responsibility shifted to the state office. Now, providers submit the manual material and any accompanying information to the regional managers. The regional managers then forward it to the state office where it is routed to the appropriate LRS state office employee. Certain state office employees approve the manual material depending on the type of service involved: deaf services, blind services, assistive technology, non-deaf/blind supported employment, and other services. After the manual material is approved, it is forwarded to the LRS fiscal section where a vendor number is assigned and a vendor file is created.

Regional managers are responsible for updating the manual material annually. Providers must submit documents each year certifying that they are complying with certain standards such as the Americans with Disabilities Act and the Civil Rights Act. The regional managers sign these documents recommending that the providers be renewed. The regional managers then forward the documents to the state office.

Community Rehabilitation Programs (CRPs)

LRS' manual material also includes CRPs that have been established to provide vocational training programs and other services for some applicants and clients. Federal regulations define CRPs as programs that provide directly or facilitate the provision of one or more vocational rehabilitation services to individuals with disabilities to enable those individuals

to maximize their opportunities for employment, including career advancement. Exhibit 29 provides a list of the services that CRPs can provide, according to federal regulations.

Exhibit 29
Services Provided by CRPs
Louisiana Rehabilitation Services - Vocational Rehabilitation Program

- Medical, psychiatric, psychological, social, and vocational services under one management
- Testing, fitting, or training in the use of prosthetic and orthotic devices
- Recreational therapy
- Physical and occupational therapy
- Psychiatric, psychological, and social services, including positive behavior management
- Assessment for determining eligibility and vocational rehabilitation needs
- Rehabilitation technology
- Job development, placement, and retention services
- Evaluation or control of specific disabilities
- Orientation and mobility services for individuals who are blind
- Extended employment
- Psychosocial rehabilitation services
- Supported employment services and extended services
- Services to family members if necessary to enable the applicant or eligible individual to achieve an employment outcome
- Personal assistance services
- Other similar services

Source: 1998 Code of Federal Regulations Title 34, Volume 2, Section 361.5(8)(i).

LRS' manual material includes two types of CRP providers: private CRPs and public CRPs. Private CRPs are not-for-profit organizations, such as the Association for Retarded Citizens. According to section 500 of the manual material, most private CRPs listed provide supported employment services. Supported employment CRPs use fee-for-service rates instead of contracts. According to an LRS official, LRS has had difficulty setting rates because supported employment has been in existence for less than 10 years and there is not much historical pricing information.

Louisiana is one of the last states to have public CRPs. Public CRPs are called Rehabilitation Employment Assessment Programs (REAPs). REAPs are specifically designed to rehabilitate the most severely disabled clients. LRS funds seven REAPs. The REAPs are state agencies that are part of LRS and are operated by LRS. REAP employees are considered to be LRS employees. LRS has a contract with each REAP and performs site reviews on the REAPs.

Before July 1, 1999, counselors had the option of sending clients to private CRPs instead of REAPs. Since July 1, 1999, counselors must send clients to REAPs if there are REAPs in their areas and the clients would not have to wait more than 45 days to be served by the REAPs.

When LRS sends a client to a REAP, the REAP performs a vocational assessment. If the client is determined to be eligible for supported employment, the REAP sends the client to a private CRP for supported employment services. The private CRP must use the REAP's assessment. LRS will not pay for a second assessment from the private CRP.

Beginning in January 2000, LRS began requiring all private CRPs and REAPs to submit quarterly reports showing client information, services being provided to each client, employment outcomes for each client, and reasons for not achieving an employment outcome. LRS has not collected this information in the past. Private CRPs and REAPs were supposed to submit the first quarterly report on January 10, 2000. The quarterly reports are to be used to help LRS monitor the performance of private CRPs and REAPs.

Interpreters

LRS has a contract with Deaf Services for interpreters. LRS also contracts with interpreting companies to provide interpreters. Interpreter rates are based on the level of certification of the interpreter. LRS also pays a 15% administrative fee for interpreting services.

Personal Care Attendants (PCAs) and Scribes

LRS pays for PCAs and scribes while clients are in school preparing for a vocation. The clients hire and fire the PCAs and pay the cost of the PCAs. LRS then reimburses the clients for the PCA costs.

Assistive Technology

Assistive technology items are put out for bid unless the desired items must be purchased from a sole source because they have to be customized to suit clients' needs. LRS has developed a fee schedule for items like home renovations, but these purchases must still go out on bid. If the lowest bid exceeds the amount in the fee schedule, LRS will review the cost and allow it if it is reasonable. Even though assistive technology purchases must go out on bid, clients have the right to choose their own providers with the understanding that LRS will pay only up to the amount of the lowest bid.

INFORMED CLIENT CHOICE IN SELECTION OF VENDORS

Insufficient Performance Information on Vendors

LRS promotes informed choice when clients select vendors to provide services and products, such as those listed in Exhibit 30. The concept of informed choice is consistent with federal requirements. However, LRS does not provide clients and counselors with sufficient vendor performance information for choices to be fully informed. Without reliable historical information on vendor performance, it is impossible for LRS to gauge whether it is receiving the best services for the lowest cost.

Exhibit 30
Types of Services Purchased for Clients
Louisiana Rehabilitation Services -
Vocational Rehabilitation Program

Training Services - academic, vocational, and technical training; books; and supplies

Assistive Technology Services - vehicle and home modifications, technology devices, and services

Employment Services - job development and placement, services leading to self-employment, and supported employment

Other Support Services - tools, equipment, transportation, maintenance, interpreters, personal care attendants, and scribe services

Source: Prepared by legislative auditor's staff based on information contained in LRS policy manual.

The federal regulations state, "In developing an individual's IWRP, the State unit shall provide to the individual, or assist the individual in acquiring, information necessary to make an informed choice about the specific services, including the providers of these services. . . ." LRS' responsibility is to provide each client with adequate information and guidance so the client is able to make an informed decision at each stage of the rehabilitation process. However, in a review of selected case files in the Lafayette Region, we found little documentation of why or how particular vendors were chosen.

In 1996, LRS identified the need for a tracking system for retaining employment outcome information to enhance quality control over services and products received from vendors. However, historical vendor performance information is not currently

available. LRS does have Community Rehabilitation Program (CRP) standards, but these standards do not emphasize the performance aspect of service provision by vendors.

LRS began collecting performance information from vendors in January 2000. However, this information is not available for prior periods. Without such information, there is no way for LRS to be certain that it is receiving the best value, as demonstrated through continued employment outcomes and retention statistics, for the fewest dollars. This demonstrates the need for such standards to be developed.

Developing vendor performance standards could be especially useful for supported employment cases. Supported employment cases involve the most severely disabled clients. These clients are the most difficult to train and place in vocational settings, and are therefore very costly. Comparing the achievements and successes among supported employment vendors would create a competitive environment that would encourage vendors to develop and provide

innovative methods for vocationally rehabilitating these severely disabled clients. Stimulating competition would be in line with LRS' policy regarding cost effective provision of services. Vendors who do not compete in performance or price may be violating the cost effective service provision of LRS' policy manual.

According to an official from the Louisiana Workforce Commission, the performance of CRPs will eventually be measured by a report card under the Workforce Investment Act of 1998. This information will be maintained on-line for public access.

Recommendations

29. ***LRS should develop performance standards for vendors, especially supported employment vendors. This should include coordinating with the Workforce Commission on the information for the report card.***
30. ***LRS should compare each vendor's actual performance to the standards to determine how successful the vendor has been in providing quality products and services. Some examples of the types of performance information LRS needs to collect on each vendor are the number of clients who were placed in jobs or who maintained employment as a result of the vendor's efforts, the cumulative annual salary of rehabilitated clients with disabilities,¹⁶ and the average starting salary of clients who were placed in employment.***
31. ***LRS should make vendor information available to everyone involved in the vendor selection process. This would include regional managers, district supervisors, counselors, clients, and clients' families. LRS could accomplish this by creating a database containing price information, vendor service history, and merchandise/service quality.¹⁷***
32. ***LRS should require documentation in each client's file showing how and why each vendor was chosen. This documentation would serve as support that the client made an informed choice. To help control the amount of documentation that would become necessary, LRS could institute a policy requiring documentation only for purchases over a certain dollar amount.***

¹⁶ South Carolina was able to determine that vocationally rehabilitated clients repaid the state in tax dollars for the cost of rehabilitation in 3.9 years.

¹⁷ Oklahoma maintains a computer based data system for vendors to report client data and supported employment services delivered and to produce billing reports for counselors.

Little Evaluation of Client Satisfaction With Vendors

LRS does not use all means available to evaluate clients' satisfaction with vendors. Information obtained from surveys and focus groups that target vendor performance could be useful to LRS in its efforts to improve the provision of services to its clients. It could also help identify weaknesses in service delivery processes. Without using all available means of obtaining input from its clients, LRS has no way to determine whether its vendor selection processes are effective or efficient.

The State Rehabilitation Council conducts federally mandated forums to solicit comments from the public on vocational rehabilitation services. However, these forums do not specifically address client satisfaction with vendors. We conducted research and found that Wisconsin, Georgia, Oklahoma, and West Virginia use surveys and focus groups to assess the performance of vendors. The surveys and focus groups also help these states target areas in the service program that need attention.

Wisconsin established reengineering teams to improve its service delivery system. The teams' efforts resulted in the implementation of several improvements. These improvements include initiating a point-of-closure consumer feedback survey and an overall evaluation strategy to determine whether employment goals are being achieved. Wisconsin recognized that the quality of supported employment includes the incorporation of specific program evaluation measures including client and employer satisfaction.

Georgia created six focus groups to address client service and utilization issues. The focus groups explored counselor perceptions of CRPs and identified factors that affect utilization of CRPs. Because the findings varied among regions, two teams implemented the groups' recommendations. One team concentrated on assessment and the other team concentrated on planning. Georgia sees the focus groups' work as a positive step in strengthening its relationship with CRPs to better serve the clients.

Oklahoma developed a consumer satisfaction survey that was sent to a random sample of clients. Oklahoma plans to use the information obtained from the surveys to evaluate service needs, policy changes, and its State Plan.

West Virginia prepares annual statistical reports on the overall utilization of CRPs. It also plots annual changes in the utilization of key programs. These efforts help ensure that CRPs are used to the maximum extent feasible. West Virginia also surveyed supported employment vendors and discovered that 21 vendors had waiting lists of referred clients whom they could not serve because of program capacity and staffing limitations. For instance, the survey showed that, out of 68 vendors, only three had staff expertise and program capacity to provide supported employment services to persons with severe traumatic brain injuries. Only 10 vendors were competent to serve persons with severe mental illness. As a result of this survey, West Virginia identified the need to increase the availability of appropriate supported employment services by increasing the number and the capabilities of approved providers. Based on these findings, the agency's goal is to increase the number of supported employment providers statewide and require each provider to undergo intensive training sponsored by the agency.

Recommendation

33. *LRS should use surveys and focus groups or other comparable means targeted at vendor performance to assess the performance of vendors. This would also help LRS identify areas in the service provision program that need improvement.*

LITTLE QUALITY CONTROL OVER SERVICES PROVIDED BY PRIVATE CRPs

According to an LRS official, LRS has not consistently performed site reviews of private CRPs for the past four years. As a quality control mechanism, LRS' CRP Plan for 1996-1999 discussed site reviews of CRPs to be conducted by LRS staff. The purpose of these inspections is to ensure maximum effort toward appropriate employment outcomes. However, since the site reviews of private CRPs have not been performed, LRS cannot ensure that vendors provided all services for which LRS paid.

In our research, we learned that West Virginia conducts site reviews of CRPs to obtain information used to develop the agency's technical assistance program for CRPs. West Virginia uses the site reviews to address needs within each CRP, as well. West Virginia also developed a quality review process with certification standards for supported employment providers.

Recommendation

34. *LRS should conduct regular periodic site reviews of private CRPs. Site reviews would provide LRS with an added quality control measure over services and products purchased from private CRP vendors.*

REDUCTION OF SERVICE COSTS

LRS' policy requires that services be provided in a cost-effective manner. However, based on the information in the following findings, LRS does not have appropriate controls in place to ensure that counselors acquire quality products and services for the lowest possible price. Several other states have developed methods for reducing the cost of services. LRS' lack of controls over the purchasing process creates the potential for biased decision making and wasteful spending. Also, if LRS spends more than necessary for some clients' services, it may have to deny services for other clients.

Non-Competitive Procurement Practices for Purchases From Vendors

Exhibit 31 **Non-Competitive Procurements** **From Selected Vendors** **FYE 1999** **Louisiana Rehabilitation Services**

Human Services Foundation	\$882,087
Summit Employment Services, Inc	\$716,378
C-BARC, the ARC of Caddo- Bossier	\$730,099
Capital Area Resources for Employment, Inc	\$568,561
Louisiana Industries for the Blind	\$537,931

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database. These figures have not been audited. We noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

According to an LRS official, LRS does not solicit competitive bids for certain employment services. Purchases of services for LRS clients are exempt from the statutory requirements related to professional, personal, consulting, and social services procurement. Therefore, state laws pertaining to the formation, execution, and monitoring of contracts do not apply to purchases of services for LRS clients. These purchases are also exempt from the requirements of the Louisiana Procurement Code. Therefore, the bidding requirements of state law do not apply to purchases of services for LRS clients. As a result, LRS does not take advantage of the potential benefit of competitively bidding for certain services.

The federal Rehabilitation Act of 1973, as amended, requires that LRS develop flexible procurement policies that facilitate the provision

of services and afford clients meaningful choices among the methods used to procure services. However, this requirement does not preclude LRS from implementing a competitive procurement process. When purchases made for clients incorporate competition in either price or performance, the individual needs of the client can be preserved while ensuring quality of services and value.

In our review of LRS practices, we found a number of non-competitive procurements involving large expenditures. Exhibit 31 shows examples of LRS' non-competitive procurements. As can be seen from the exhibit, LRS paid large amounts of money to several vendors for services that were not acquired on a competitive basis. As a result, LRS may not have obtained those services at the best prices.

In most situations, purchases made for clients can incorporate competition in either price or performance among vendors. According to a Colorado performance audit, a competitive bidding process provides the following advantages:

- It encourages competition among service vendors to provide services of the highest quality at the lowest price.
- It allows for increased economy in state procurement activities and maximizes to the fullest extent practicable the purchasing value of public funds.
- It ensures fair and equitable treatment of all service vendors.

Recommendations

35. *LRS should examine the types of services it provides and develop a competitive process that takes price and performance into account. This would help ensure that LRS is using the most efficient methods possible to purchase services.*
36. *LRS should also develop a procedure to ensure that vendor performance results are provided to all persons involved in the vendor-selection process.*

Buying Power Could Lead to High-Volume Discounts

LRS could reduce costs by requesting discounts from high-volume vendors. As shown in Exhibit 32, LRS makes high-volume purchases from a number of vendors including Office Depot, University Book Store, Sears, and other vendors. LRS has not attempted to secure discounts with vendors. As a result, LRS may be paying more than necessary for some products and services.

Texas recognized that the opportunity to receive volume discounts was being lost when its counselors purchased items for clients without considering the fact that similar items were being purchased from the same or similar vendors in different parts of the state. In response, Texas created a Buyer Support Services specification database. This database should become a valuable tool for analyzing price information and determining best prices and value for purchased goods. When formal competitive procurement is not a practical method, counselors and other purchasing agents can make reasonably informed decisions by having current information available. Such information includes vendor service history, price comparisons of goods available in various markets throughout the state, and assessments of merchandise quality.

Exhibit 32 High Volume Procurements From Selected Vendors FYE 1999 Louisiana Rehabilitation Services

Office Depot.....	\$124,041
Diesel Driving Academy	\$104,741
Computer Tech.....	\$33,863
University Book Store	\$75,293
Sears	\$46,005

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We have noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

Recommendation

37. *LRS should use its buying power to request discounts from high-volume vendors.*

No Use of State Contracts for Some Client Purchases

LRS does not use state contracts for the purchase of certain items for clients. Using state contracts to purchase these items could result in substantial savings to the program. When LRS does not take advantage of cost-saving opportunities offered through state contracts, the agency may not be able to stretch its dollars to as many clients as possible.

LRS purchases products for clients such as textbooks, hand tools, power tools, computer hardware, software, and computer-related items such as desks and chairs. LRS also purchases office equipment for clients who establish small business enterprises. LRS often purchases these items from local vendors such as Office Depot and Sears. LRS could reduce the cost of these procurements by purchasing items from vendors who have contracts with the state when the state contract price is lower than the local cost.

Tennessee establishes contracts for frequently needed goods at fixed, competitive rates. These contracts may be statewide, departmental, or divisional, and they may include warranties and services. Tennessee requires that goods available on state contracts generally be purchased from those contracts unless there are valid reasons to do otherwise. Exceptions can be made when an item is needed quickly and the contract item cannot be delivered in a timely manner. Exceptions can also be made when an item meeting the client's needs is available at a price lower than the contract price. Items that Tennessee frequently purchases on contract are as follows:

- Computer hardware and software
- Non-powered hand tools
- Office supplies
- Many other items needed by clients

LRS could benefit from purchasing items under state contract when doing so would result in cost savings. Cost savings for the program would mean that more funds would be available in the long run to service clients.

Recommendation

- 38. *To reduce the cost of client purchases, LRS should consider using state contracts for the purchase of some items. LRS should exercise flexibility when making purchasing decisions, however. Price negotiation with local vendors should still be part of the purchasing process.***

No Ownership or Control Over Property Purchased for Clients

LRS often purchases property for clients but does not retain ownership rights or control over the property, according to LRS officials. This is because LRS changed its policy on this issue when streamlining was instituted. Under the new policy, title of the property is transferred to the client. Because LRS no longer has title to the property it purchases for clients, it cannot regain the property if the clients no longer need it. This can result in substantial expense to the agency because the property cannot be reused by other clients.

Before streamlining, LRS retained title to property, such as computers, that it purchased for clients' use. This arrangement was similar to a loan because when the property was no longer being used for the rehabilitative purpose for which it was provided, the client had to return the property to LRS. While the client had possession of the property, the client could not sell, mortgage, give away, or in any way dispose of the property.

However, LRS changed its method of property control. Under the new method, when LRS purchases an item for a client, the client becomes the legal owner of the item and may use or dispose of the item as he or she chooses. It is possible for clients to sell the property to a third party immediately after receiving it from LRS under this system. The current method also does not give any assurance that the client will actually use the property for the purpose it was intended.

An LRS official we spoke to explained the rationale for the new system. She said that LRS changed the system because of concerns about clients being harmed by property used previously by other clients. That is, they were concerned that if a client received a product that had been modified by a previous client, and the modifications caused harm to the second client, LRS could be held liable.

Other states, however, use loan banks as a means of supplying equipment to clients. The loan banks provide better control over equipment and save money by allowing for reuse of the property by other clients. California and New Mexico, for instance, use loan banks for this purpose.

California loans certain equipment and other items to clients instead of buying the items for them. Exceptions include prosthetic; orthotic; other assistive devices such as wheelchairs, glasses, and hearing aids; and customized equipment that has been modified to meet the individual clients' needs. For loaned equipment, the agency retains title to the property until the client is successfully rehabilitated. If the counselor determines the property is essential to the client's employment, title passes to the client. If the property is not essential to the client's employment, the client may purchase the property for fair market value. For cases where the client is not successfully rehabilitated, the agency has procedures for repossessing the property with the assistance of State Police, if necessary. Also, if the client is financially able, the agency has procedures for holding the client financially responsible for the property if the client loses, damages, or disposes of the property.

New Mexico has a Technical Assistance Program that provides equipment loans to clients. Under this system, the agency loans items to clients for definite periods of time according to a loan agreement. The time period can be extended to accommodate the client. According to LRS, New Mexico's school districts have ownership of the property.

LRS could have better control over the use of purchased property and save money by reusing property for more than one client. In our review of case files, we found many cases where LRS purchased expensive items, such as computers, for the clients and did not regain possession of the equipment after the client finished using it for the intended purpose.

Recommendation

39. ***LRS should explore the possibility of creating a loan system that allows clients to use equipment, such as computers, without transferring ownership of the items to the clients. This would save money for LRS because items could be used by more than one client.***

No Obligation to Transfer Ownership of Property to Clients

LRS provided us with a copy of an internal legal opinion stating that there is no federal or state mandate that requires equipment to become the property of the client. LRS is only required to provide and make available services and products. According to this internal opinion, LRS is under no obligation to transfer ownership of property to the client.

The issue of donating or loaning property to clients needs to be considered in relation to the Louisiana Constitution of 1974 Article VII, Section 14(A), which prohibits the gratuitous loan, pledge, or donation of property of the state. There is a possibility that giving or loaning property to clients by LRS may constitute a prohibited donation.

Recommendation

40. ***LRS must resolve the constitutional issue regarding prohibited donations or loaning of state property. Therefore, we recommend that LRS seek an opinion from the Department of Justice on this issue.***

NO PERMANENT UNIFORM RATE SETTING PLAN

LRS does not have a permanent rate setting plan for supported employment. LRS identified the need for a uniform rate setting plan in 1996, but did not establish uniformity in rate setting until July 1, 1999. On July 1, 1999, LRS instituted an interim rate setting plan that standardized supported employment rates. However, this is not a permanent rate setting plan. LRS has been working toward creating a permanent plan since February 1998, but a permanent plan is still not in place. Without a permanent rate setting plan, LRS cannot ensure that the method of payment for supported employment considers the delivery of intermediate outcomes and the quality of those outcomes.

LRS included a milestone system in the July 1, 1999, interim rate setting plan. The milestone system, which is modeled after Oklahoma's milestone program, provides for payments to vendors only after certain levels of achievement have been reached with the client. This matches the method of payment to the expected outcome rather than to the amount of service provided. Oklahoma's experience with the milestone payment system has been positive. Oklahoma believes the payment system directly contributes to competitive placements in integrated settings. Oklahoma service providers have also found the milestone system helps them to manage their programs more efficiently and effectively.

Recommendation

- 41. LRS should create a permanent rate setting plan for supported employment that achieves uniformity between vendors and considers employment outcomes.***

Other Management Issues

CONCLUSIONS

LRS' streamlining initiative reduced the level of managerial control over the Vocational Rehabilitation Program. It took away several internal oversight and cost controls and may have contributed to LRS' budget shortfall. In addition, the reduced documentation the initiative called for placed LRS in a difficult position if it ever had to defend its decisions in grievances or lawsuits.

To control costs and save money during the budget shortfall, LRS reacted with two major changes in policies related to new applicants. One change affected applicants' eligibility for services. As a result, at least 217 clients who would have previously received services were no longer eligible for services. The other change resulted in approximately 2,082 applicants waiting at least three months for an eligibility determination and 1,116 clients waiting up to six months for services. As a result of these two policy changes, LRS was providing services to some clients who had already benefited from the same or similar services and/or who may not have necessarily needed services. On the other hand, potential clients who needed services either could not access them or their services were delayed because of funding constraints. Having strong management controls in place would have better allowed LRS to proactively manage its resources so that both current clients and potential clients could have benefited from its services.

One of our audit objectives was to determine the clarity and accuracy of information and directives related to program spending that the LRS state office sent to employees. We found the volume of memos sent to regional office staff regarding the budget shortfall did lead to some confusion. However, most of the memos were clear.

Before the budget shortfall of March 1999, regional staff had no responsibility for keeping expenditures within budget limits. The LRS state office was responsible for ongoing monitoring of expenditures for the entire state. This reduced accountability on the parts of regional managers, district supervisors, and counselors, which contributed to the budget shortfall. In July 1999, LRS instituted controls that now hold regional managers responsible for their budgets and for monitoring counselor spending.

In June 1997, during our review of the uniform rate setting plan, we found LRS entered into a \$49,500 consulting contract for the creation of a rate-setting mechanism for the purchase of rehabilitation services from CRP vendors. However, LRS did not properly monitor the contract. As a result, LRS paid \$24,750 for services that it neither needed nor received.

STREAMLINING INITIATIVE REDUCED MANAGEMENT CONTROL

Many procedural changes that LRS implemented as a result of the streamlining initiative decreased management's control over the Vocational Rehabilitation Program. Successful streamlining efforts should have improved the service delivery system by eliminating practices that impeded the rehabilitation process. Instead, management provided staff with greater autonomy, thus reducing the level of oversight, accountability, and cost control measures necessary to ensure that the program was operating efficiently and effectively. In addition, streamlining resulted in LRS being placed in a position where it cannot support many of the decisions it made relative to the provision of services should the agency be challenged on those issues through grievances or lawsuits.

The purpose of the streamlining initiative was to identify outdated rules and to redesign the vocational rehabilitation process to improve the number and quality of job placements for individuals with disabilities. During the initial phase of the streamlining initiative, LRS staff produced 106 recommendations to improve the service delivery system. LRS management immediately implemented 21 of those recommendations through memoranda.

Through those memoranda, management eliminated several obsolete forms. Management also approved the revision of several other forms. In addition, management reduced the level of documentation required in client case files. As a result, we discovered poor documentation regarding the need for services, the level of guidance and counseling provided during service delivery, and the level of supervision after service delivery in the case files we reviewed, among other things discussed in previous findings of this report. Without adequate documentation, it was impossible to determine whether many of the services provided were necessary or appropriate to address the clients' functional limitations. In many cases, we also could not determine whether the functional limitations themselves were consistent with the evaluation data that the counselors used to determine eligibility.

As stated previously, the desired goal of streamlining was to improve the number and quality of job placements for individuals with disabilities. However, when we asked LRS officials whether this had been achieved, they could not tell us. In addition, they did not produce any data showing the impact on the number and quality of job placements resulting from streamlining. On page 29 of its response to this audit, LRS does list the number of cases it says were closed as successfully employed in years one through three. However, as noted in the finding on pages 57 through 58 of the report, the number of successful case closures may be inflated. Therefore, LRS cannot say for certain whether the streamlining efforts were successful. We can say, however, that management's control regarding the oversight, accountability, and cost control measures of the rehabilitation process was decreased when streamlining occurred. Some of the procedural changes that resulted in decreased control are as follows:

- State office reviews of client case files for “high cost” plans,¹⁸ eligibility, and small business enterprises was no longer required.
- Verification of the client’s income, assets, liabilities, and family status was no longer required.¹⁹
- Projected dates for goal completion, dates of annual review, and anticipated costs of services were no longer required on the client’s plan.
- Vocational evaluations were no longer required for every client. Counselors were allowed to use their professional judgment to determine the need for services.
- The level of documentation for supervision was reduced.
- Contact with the client within 30 days after attainment of employment was no longer required.
- Certain counselors were authorized to approve certificates of eligibility, ineligibility, and extended evaluation without supervisory review.
- Narrative information justifying the client’s functional limitations was no longer required on the eligibility determination form.

These changes provided the counselors with greater autonomy to speed up the service delivery system. However, the level of documentation and review of the need for services, the types of services needed, and the costs of the services provided were greatly reduced. Thus, management’s control over the rehabilitation process was reduced. As a result, the Vocational Rehabilitation Program relinquished several critical internal controls necessary to protect its integrity.

On January 28, 2000, LRS terminated counselors’ authority to approve certificates of eligibility, ineligibility, and extended evaluation without supervisory review. At this time, LRS began requiring supervisors to conduct reviews on all counselors, evaluators, and specialists, regardless of their level. Regional managers must now ensure that these reviews are completed. While these controls do provide some oversight, additional measures are needed to ensure that management has full control regarding oversight, accountability, and costs.

¹⁸ “High cost” plans include those with individual items/services equal to or greater than \$10,000 and those with items/services totaling \$20,000 or more.

¹⁹ LRS recently revised its economic needs test to include verification of income and disability-related expenses.

Another concern we have about the issue of streamlining is the position it put LRS in regarding the ability to defend its decisions should the agency be challenged through grievances or lawsuits. According to an LRS official, the regional managers have complained that they often cannot find support for the counselors' decisions in the client case files. This lack of documentation puts the agency in an adverse position should clients file grievances or lawsuits concerning service provision.

Recommendation

- 42. Management should continue to implement controls regarding oversight, accountability, and costs to substantiate the need for services, the level of guidance and counseling during service delivery, and the level of supervision after service delivery.***

NUMBER OF MEMORANDA CONCERNING COST-SAVING MEASURES CAUSED CONFUSION

One of our specific audit objectives involved a series of memoranda from the LRS state office to the regional managers that may have expressed conflicting messages, causing confusion and anxiety among the regional offices and clients. The memoranda described measures to address the 1998-1999 budget shortfall. After reviewing numerous memos that were circulated among LRS and DSS officials, we found that the majority of them were clearly written and easily understandable. However, because of the volume of original and subsequent memos that the state office transmitted for clarification, counselors and managers may have found it difficult to determine the correct course of action relative to their cases. To provide an accurate understanding, management should ensure that any procedural changes are accurately documented and clearly articulated before copies of new procedures are distributed.

According to LRS officials, from February 1999 to February 2000, the LRS state office transmitted a series of memos to the LRS regional offices. These memos explained the budget crisis and listed procedural changes that were made as a result of the crisis. We reviewed 61 memos.

We found that the LRS state office issued a series of general notices concerning a course of action to be taken by the regional offices. The state office then sent subsequent memos outlining more specific courses of action to the regional offices via fax, e-mail, and interdepartmental mail. At times, regional offices received several faxes per day concerning the same issue, and each memo directed counselors to handle a situation in a slightly different manner. According to one regional manager, staff members and fellow managers were confused by changes described in the memos. In addition, this manager said that the subsequent memos made it difficult to determine the correct course of action.

For example, one of the memos from the LRS state office stated that LRS would not pay summer school tuition, unless the client was a graduating senior or summer courses were part of the client's curriculum requirement. On the following day, the state office sent a subsequent memo stating that all plans for summer school needed to be cancelled.

In a letter dated April 13, 1999, LRS also notified its clients of the projected budget shortfall and informed them that LRS would not approve any new plans (original or amended). According to an LRS regional manager, this letter confused LRS' clients because they were meeting with their counselors at approximately the same time to create new plans and make amendments to existing plans. The manager said that clients became anxious and began to complain about the situation. LRS also began receiving phone calls from legislators who were concerned about the effect that the shortfall would have on their constituents, according to the regional manager.

In addition to the memoranda concerning cost savings, LRS officials also sent a memo to staff when some counselors did not follow a previous department memo to reduce spending. There is a 120-day time limit for counselors to pay for services that have been established as obligations in BRIS before the system automatically cancels obligations. If the service has not been paid for within the 120 days, the counselors must re-enter the information into the computer and re-obligate the funds. During FYE 1999, counselors delayed entering information for obligation of funds. Counselors did not timely enter \$2,819,863 of obligated services into the system. This created a problem when bills were being received with no corresponding match in the system. In addition, this practice inflated the amount of funds that LRS had available and contributed to the recent budget shortfall. According to an LRS regional manager, this situation made it appear that counselors were disobeying a direct order from the state office to cease all spending.

Overall, we found that the memos addressing the 1998-1999 budget crisis were consistent and easily understandable. However, the number of subsequent memos intended to clarify previous memos made it difficult for regional managers and counselors to determine the correct course of action in handling cases. In addition, counselors may have been unsure of which policy to follow.

Recommendations

43. ***LRS should ensure that formal communications are not transmitted to clients until a final decision has been made about service obligations and/or the continuation of services to specific groups and all reasonable questions have been answered (e.g., why, how much, how long).***
44. ***LRS should strictly enforce all agency policies.***
45. ***The state office should improve its communication with regional offices.***

PROBLEMS WITH PROGRAM SPENDING

Change in Order of Selection Criteria Caused Services to Be Denied for Some Clients Who Previously Would Have Received Them

LRS increased the number of functional limitations that defined each order of selection group. Previously, potential clients were eligible for services in order of selection group I or II if they had one or more functional limitations. Now, potential clients in order of selection group I or II must have three or more functional limitations for eligibility. LRS instituted this change in an attempt to control costs. Because of this change, 217 clients who would have received services before the order of selection change did not receive services.

In July 1999, LRS changed its definition of the order of selection groups. (See Exhibit 10 on page 17 for description of order of selection groups.) Previously, clients with three or more functional capacity limitations were considered most severely disabled and placed in order of selection group I. Clients with one or two functional capacity limitations were considered severely disabled and placed in group II. Clients with functional limitations that were not considered most severe or severe were placed in group III. LRS has not served group III clients since about 1992, with the exception of those clients in the Intervention to Prevent Blindness Program.

The policy changes in 1999 brought about changes to these classifications. Now, clients with four or more functional limitations are considered most significantly disabled and are placed in group I. Clients with three functional limitations are now considered significantly disabled and are placed in group II. Clients with one or two functional limitations are now considered non-significantly disabled and placed into group III. LRS currently does not serve group III clients, except for those eligible for the Intervention to Prevent Blindness Program.

This change was instituted as a cost control measure in response to the \$9 million budget shortfall that occurred in March 1999. Now, because of the stricter order of selection definitions, fewer clients are placed in selection groups I and II. This means that fewer clients are eligible for LRS services than were eligible before the changes.

An immediate effect of this change was that from July 20, 1999, to December 31, 1999, 217 clients who previously would have received services did not receive services. These are clients with only one or two functional limitations. Previously, LRS would have placed these clients in group II and served them. Now, LRS has placed them in group III, a category not currently being served by LRS, except for the Intervention to Prevent Blindness Program.

Recommendation

- 46. *LRS should refrain from making major policy changes to control costs and save money during budget shortfalls. Instead, LRS should improve management controls to better manage resources in a proactive manner.***

Eligibility Determinations and Provision of Services Delayed Because of Budget Crisis

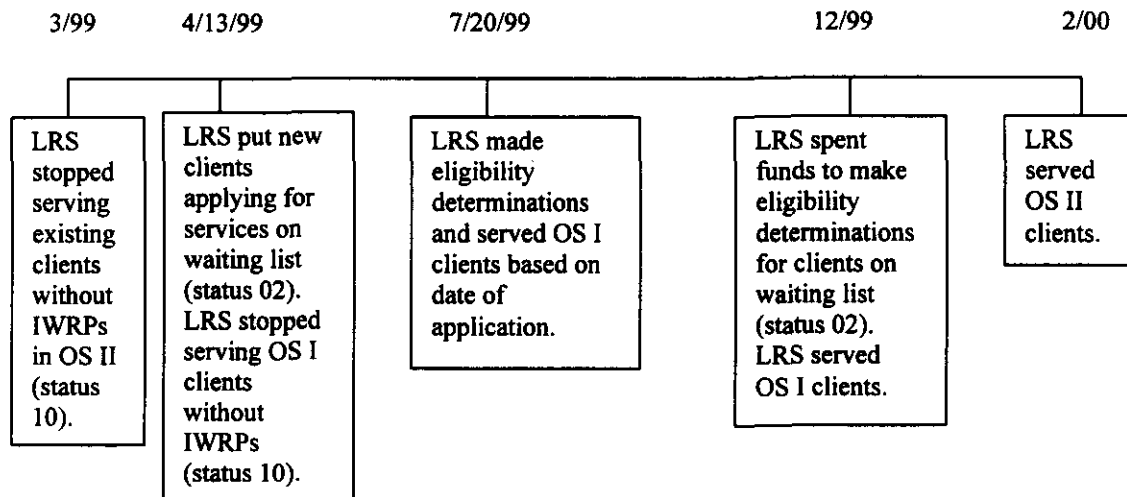
Between April 1999 and February 2000, LRS put many clients on waiting lists for eligibility determination and/or services. LRS instituted the waiting list because of the budget shortfall experienced in March 1999. LRS' policy manual states that applications and the provision of services must be handled expeditiously. However, as a result of LRS' implementation of waiting lists, approximately 2,082 applicants waited at least three months for an eligibility determination. Also, 1,116 eligible clients had to wait up to six months for services.

On March 10, 1999, the LRS director sent a memo to the regional managers informing them that, because of the budget shortfall, LRS would stop providing services to order of selection group II clients who did not have an Individualized Written Rehabilitation Program (IWRP) in place (status 10). On April 13, 1999, LRS stopped providing services to group I clients without IWRPs (status 10) and instituted a waiting list. Also on this date, all new applicants were placed on a waiting list in status 02 (applicant status; application signed) to await eligibility assessment. (See Appendix B for an explanation of the status codes.)

On July 20 1999, LRS made eligibility determinations for clients based on their dates of application. Group I clients who had been in status 02 or status 10 (eligibility established) began receiving services based on their dates of application. All new applicants were still placed in status 02. In addition, group II and III clients were moved to status 04 (deferred services waiting list).

On December 6, 1999, the agency made eligibility determinations for all clients in status 02, regardless of application date. All group I clients were served, while group II and III clients were again placed in status 04 to wait. LRS began serving group II clients who had been waiting in status 04 in February 2000. This delay in services conflicts with LRS' policy manual, which states that "All referrals, applications and provision of services will be handled expeditiously and equitably." A timeline of these events is presented in Exhibit 33 on the following page.

Exhibit 33
Timeline of Waiting List Developments
Louisiana Rehabilitation Services - Vocational Rehabilitation Program



Note: OS refers to order of selection group.

Source: Prepared by legislative auditor's staff using information provided by LRS.

According to our calculations, from April 30 to November 30, 1999, 2,082 applicants had to wait at least three months for eligibility determinations. We derived this figure by reviewing the number of applicants in status 02 between April 30 and November 30, 1999. It was approximately over this time period that all new applicants had to wait for their eligibility determinations (April 13 to December 6, 1999). Over this time, the number of applicants waiting for assessment in status 02 increased from 2,179 to 4,261, an increase of 2,082 applicants.

In addition, 1,116 of the above-mentioned applicants became eligible OS group II clients but had to wait up to six months for services. From July 20, 1999, until the end of January 2000, LRS placed all eligible group II and III clients in status 04. In February, LRS began serving the group II clients. Therefore, we analyzed the decrease in status 04 clients from January 31, 2000, to February 29, 2000. Over this time period, the number of status 04 clients decreased from 2,883 to 1,767, a decrease of 1,116. These were group II clients taken out of status 04 and served. We did not analyze group III clients because those clients have not received services for several years, except for those in the Intervention to Prevent Blindness Program.

Recommendation

- 47. *LRS should enhance management controls so that reductions of services and institution of waiting lists will not be necessary.***

MONITORING OF EXPENDITURES

LRS Had Little Control Over Spending; Regional Staff Had No Responsibility for Monitoring Expenditures

Before the budget crisis that occurred in the spring of 1999, regional staff had no responsibility for keeping expenditures within budget limits. The LRS state office had sole responsibility for on-going monitoring of expenditures for the entire state. This created a lack of accountability on the part of regional managers, district supervisors, and counselors. As a result, LRS exercised little control over spending, and this contributed to the budget shortfall.

According to a regional manager we interviewed, even though regional staff were not responsible for the budget, several regional managers knew their regions were going over budget in December 1998 and attempted to discuss their concerns with the state office. However, according to these managers, the LRS director indicated that LRS spending was not a problem. According to the regional managers, the director said the regional managers should not worry about the budget. The regional managers also said that if something had been done at this time to curb spending, the budget crisis would not have occurred.

One regional manager said that he could see the budget crisis coming in 1997, based on increasing costs and the increasing number of clients. He said these concerns had been voiced to the state office but had fallen on deaf ears. He also said that the LRS director told the regions to spend money and not worry about where the money was coming from. Another regional manager said that the director stated that almost any amount of money should be spent to place a client in a job. A previous regional manager said that in August 1998, the director told the regional managers during a meeting that there was no problem with the budget because LRS had plenty of money and they should not worry about money. This regional manager also said that because of this lenient attitude, the counselors thought LRS had a bottomless pit of money. She further stated that all suggestions to curb spending were turned down.

Before April 1999, counselors had few spending limits and no responsibility for monitoring their expenditures. Counselors also had broad discretion in making spending decisions. This lenient spending policy provided the opportunity for counselors to spend money on services that may not have been necessary. Because value was not a concern, there was little incentive for counselors to determine which vendors provided the best services or products for the lowest cost.

Recommendations

48. *As discussed further in the next section of this report, regional staff is now held accountable for monitoring expenditures. However, communication between regions and the state office needs to improve. When regional managers discuss budgetary concerns with personnel in the state office, the parties involved should take appropriate actions to ensure that these concerns are addressed.*

49. ***LRS should require more justification for the services that are provided to clients. Counselors should approve expenditures for clients only when the services are necessary to achieve employment outcomes. Counselors should also place more emphasis on spending money efficiently and effectively.***

Monitoring of Vendors

LRS placed responsibility for monitoring vendor services on the counselors. However, counselors may not always adequately inspect vendor charges. This situation can create the opportunity for vendors to take advantage of counselors by adding costs to their invoices for services or products they may not have provided.

According to interviews we conducted, an example of this occurred in one of the regional offices. In 1999, the Shreveport region discovered that a supported employment vendor had charged LRS for job coaching hours it had not provided. This vendor billed LRS for time spent on items such as going to a client's home to wait for the cable company to connect the client's cable television. The regional manager contacted the vendor about the over-billing, and the vendor adjusted the invoice. Therefore, LRS staff caught this error and corrected it before LRS made the payment. However, because of time constraints, counselors may not always inspect all billing details from vendors. This allows for the possibility that vendor overcharges can go undetected.

In another case, we discovered a duplicate payment LRS made to a vendor. This duplicate payment was for \$2,645.50. We discovered this error by reviewing computerized payment data for selected case files. We brought this error to the attention of LRS officials. However, as of the date that our fieldwork ended, LRS had not recouped this money.

Also, some regional managers said that they feel that some supported employment vendors deliberately place clients in inappropriate jobs where they know the clients will fail. They said that vendors do this so the clients can be placed in supported employment a second time. According to these regional managers, this is a way for some supported employment vendors to make more money from LRS.

Recommendations

50. ***LRS should closely monitor vendor invoices. Vendor invoices should not be approved for payment until they have been inspected to ensure that the services or products were actually authorized and received by LRS or the clients of LRS.***
51. ***LRS should pursue recoupment of overpayments to vendors.***
52. ***LRS should closely monitor supported employment vendors to ensure that they provide appropriate job placement and job coaching services to LRS clients. This could be accomplished through vendor site visits, closer contact with job coaches, visits to clients' places of employment, and better communication with clients.***

In Fiscal Year 2000, LRS Placed Some Controls Over Spending

On July 1, 1999, LRS implemented a new method for monitoring spending. Regional managers are now responsible for their budgets and for monitoring counselor spending. This change in policy is an attempt to make regions accountable for their spending.

LRS also provided the regional managers with training on BRIS to enable them to access budget information such as amounts obligated and expended. This enables the regional managers to monitor spending on a daily and weekly basis. In addition, LRS provided training for the regional managers on Quattro Pro, which is a spreadsheet program that allows them to monitor projected expenditures. Every month, the LRS state office requests a copy of each region's Quattro Pro spreadsheets and amounts of obligations and expenditures in order to monitor regional spending.

Before July 1, 1999, LRS counselors were not responsible for monitoring budget or expenditure activity. Now, counselors must be accountable for all of their expenditures. The counselors enter obligations and expenditures into BRIS and projected expenses into the Quattro Pro spreadsheets. The district supervisors must now monitor and approve counselor spending.

On January 28, 2000, LRS took another step in attempting to control counselor spending by abolishing independent approval status for counselors. Independent approval status allowed counselors to spend up to \$10,000 per service and up to \$20,000 per client without authorization from the district supervisor or regional manager. Adding supervisory reviews of expenditures approved by counselors is an important move toward regaining control over the program's financial status.

Recommendation

53. ***LRS has made some important improvements to help control the budget by giving more fiscal responsibility to regional staff. The abolishment of independent approval status for counselors will also help to control spending. LRS should continue to monitor and make improvements in the agency's operations.***

WEAK MONITORING OF CONSULTANT CONTRACT

Improper Monitoring of Consultant Contract

During our review of LRS' rate setting plan, we reviewed a consulting contract LRS had entered into related to rate setting. LRS entered into this contract, written for \$49,500 in June 1997. The contract was for the creation of a rate setting mechanism for the purchase of rehabilitation services from CRP vendors. However, LRS did not properly monitor the contract. As a result, LRS paid \$24,750 for services it did not need and did not receive.

According to the terms of the contract, the consultant was to perform an internal audit of 10% of the CRP vendors and submit recommendations to begin the rate setting program for LRS. The consultant submitted these recommendations to LRS in September 1997. LRS paid the consultant \$24,750, half of the contracted amount, on September 29, 1997.

The contract also said that LRS was to review the recommendations and reach an agreement on the elements to be completed by LRS and/or the consultant. The LRS program coordinator for Rate Setting reviewed the contractor's report but did not agree with his opinions on rate setting and determined that the consultant's recommendations were not helpful. The program coordinator also researched LRS' method of setting rates and the rate setting methods of other states and began creating his own recommendations. Therefore, the rate setting work was now being handled in-house. However, despite this fact, LRS did not cancel or amend the consultant's contract.

The contract also said that the consultant was to develop a prototype for automating the rate setting mechanism. Specifically, the consultant was to create a database or spreadsheet program that LRS could use to update information and set rates on a yearly basis. The consultant presented what he called a "crude template" of a computer program to LRS on a single 3.5" disc. However, the LRS program coordinator determined that the agency could not use this computer program. Even though the consultant did not submit an acceptable prototype for the automation of the rate setting mechanism, LRS paid the consultant \$12,375, another quarter of the contract price, on May 26, 1998.

Finally, according to the terms of the contract, the consultant was to create an automated rate setting mechanism that was set up and working correctly. However, the consultant did not do so, according to the program coordinator. Even though this requirement of the contract was not performed, LRS paid the consultant \$ 12,375, the last quarter of the contract price, on December 28, 1998.

Recommendation

54. LRS should ensure that all consulting contracts are properly monitored.

Some Contract Services Not Received or Used

LRS paid for services it did not receive and services it did not use. This occurred because the consulting contract was not properly monitored. Proper contract monitoring would ensure that LRS receives the services it pays for and that those services are beneficial and useful to LRS. Inadequate contract monitoring by LRS resulted in wasteful spending.

Each state agency is responsible for its own contracts relative to appropriateness, monitoring, and evaluation of contractor performance through the use of internal review teams. Act 998 of the 1997 Regular Legislative Session established in Chapter 16 of Title 39 the Commission for the Review and Improvement of Services Procurement (CRISP). CRISP is responsible for overseeing and directing a comprehensive review of all professional, personal, social, and consulting services contracts within all departments of the executive branch of state government. This review is to be accomplished through internal review teams to be established within each department. These teams are comprised of DSS and LRS employees.

The internal review teams are responsible for examining all contracts for professional, personal, social, or consulting services the department had in effect at the commencement of the review. The review teams are to analyze every contract individually. Their analysis should include the specific criteria listed in the bullets below. However, the internal review team did not adequately analyze the consulting contract. If it had, it might have found that the contract was inappropriate, that it was improperly monitored, and that there was insufficient evaluation of contractor performance. Our assessment of the criteria that the internal review team should have applied is as follows:

1. Regarding the necessity for the contract:
 - The consulting contract became unnecessary when the LRS program coordinator began performing the same work that was covered under the contract.
2. Regarding the inability of state employees to perform the services covered in the contract:
 - The LRS program coordinator, a state employee, was performing the services covered in the contract.
3. Regarding the adequacy of the monitoring plan:
 - The monitoring was not adequate because the monitor allowed the consultant to be paid for work that was not performed or was performed unsatisfactorily.
4. Regarding the general appropriateness of the contract:
 - When the program coordinator determined that the consultant's recommendations would not be used, the contract became inappropriate and

should have been terminated. The contract states that it may be terminated by either party upon giving 30 days advance written notice to the other party.

Recommendation

55. ***The internal contract review team should closely analyze LRS contracts for appropriateness, monitoring, and evaluation of contractor performance to prevent money from being spent on services that are unnecessary or are not provided.***

Inaccurate and Misleading Information on Contract Review Criteria Form

The internal review team is also supposed to review contracts for the purpose of determining the degree of standardization of contracting practice throughout the department. This determination is to be made with particular regard to needs assessment, cost basis, and contract administration and monitoring. This review is documented in the contract review criteria form. However, the contract review criteria form that was filled out by LRS on the consulting contract contains inaccurate and misleading information. As a result, LRS continued paying for services it did not need and services that were not being provided.

The contract review criteria form contains some inaccurate information. The form identifies the wrong person as the monitor of the contract. The person identified as monitor had not been responsible for the contract since December 1997. The LRS employee originally responsible for monitoring the contract became ill, and LRS gave the monitoring responsibility to the Bureau Administrator of Program Planning in December 1997. This person continued to be responsible for monitoring the contract until the termination of the contract in December 1998. From December 1997, until December 1998, the bureau administrator approved all of the consultant's contract extensions and invoices for payment.

The contract review criteria form is misleading because it states that the work covered in the consulting contract cannot be done with existing staff. The form, which was completed on April 21, 1998, states that the reason the consulting contract cannot or should not be done in-house with existing staff is that in-house staff do not have the necessary expertise. However, in February 1998, the program coordinator in charge of rate setting at LRS began researching and creating a rate setting proposal during the time that the contract was in effect. Also, the program coordinator's job description outlines the same duties that the consultant was to perform under the contract.

The contract review criteria form is also misleading in that it states that the contract monitoring responsibilities are clearly delineated and that the method of monitoring the contract was site visit and desk review. The monitoring responsibilities were not clearly delineated, which resulted in the contract being monitored by an employee who had never dealt with rate setting at LRS. This also led to the duplication of effort that resulted when LRS paid a

consultant to perform work that was being performed by an LRS employee. Also, LRS did not perform any site visits to monitor the contract.

Recommendation

56. *The internal contract review team should review contracts more carefully to ensure that contract review criteria forms do not contain inaccurate or misleading information.*

Contract Extended Although Requirements Not Met and Services Not Used

Although the consultant was not performing the requirements of the contract and the consultant's recommendations were not going to be used, LRS extended the contract twice. The contract was originally for the term of six months, but LRS extended it for an additional year. LRS extended the contract without consulting the Program Coordinator for Rate Setting or the Bureau Administrator of Community Rehabilitation Programs. This resulted in LRS continuing to pay for services that were not being used or were not being provided.

The contract was entered into on June 15, 1997. It was originally supposed to terminate on December 30, 1997. LRS granted the first extension on December 30, 1997. This extension resulted in the contract being extended until June 30, 1998. LRS granted the second extension on June 30, 1998. It extended the contract until December 31, 1998. Thus, after these two extensions, the contract ran for 18 months--12 months more than the original term.

According to the LRS program manager in charge of contractual review, the bureau administrator responsible for monitoring the contract authorized both contract extensions. According to this individual, the bureau administrator represented to the program manager that the consultant had performed the contract in a satisfactory manner. Thus, even though the consultant was not performing the functions contracted for satisfactorily, LRS continued to extend and pay the contract.

Recommendations

57. *LRS should refrain from extending contracts until a review of the contractors' performance is conducted to ensure that the contracts are being performed and that the services provided under the contracts are being used by LRS.*
58. *LRS should communicate with the users of the services provided for in contracts into which it enters. The consulting contract should not have been extended without the approval of the Program Coordinator for Rate Setting or the Bureau Administrator of Community Rehabilitation Programs.*

Contract Monitoring Responsibilities Assigned to Employee Not Knowledgeable in Subject Area

According to the contract, the consultant was to work under the direction of the LRS bureau administrator in charge of rate setting. Because of personnel changes, a member of LRS staff who did not have any experience or responsibilities over rate setting was put in charge of monitoring the consultant's work. To ensure the contract was adequately monitored, LRS should have assigned the monitoring responsibilities to an LRS employee who was knowledgeable about the area covered under the contract. This resulted in a lack of communication between the person responsible for monitoring the contract and LRS employees in charge of rate setting. This may be the reason that the consultant was paid for work that was already being done by an LRS employee.

The Bureau Administrator of Program Planning, who was in charge of monitoring the contract, stated that she had never worked with rate setting at LRS. Because the contract was for the creation of a rate setting mechanism for the purchase of services from CRP vendors, an employee experienced with rate setting should have been assigned as the monitor for this contract. Since the bureau administrator had never dealt with rate setting at LRS, she should have communicated with someone who was responsible for rate setting. The Program Coordinator for Rate Setting and the Bureau Administrator of CRPs were the users of the contract services. They said they should have been consulted in determining the necessity for the contract and the performance of the consultant. However, all contract extensions were made and all invoices were approved for payment without any discussion with them.

Recommendations

59. ***LRS should place the responsibility for monitoring contracts with employees who are familiar with the areas with which the contracts deal.***
60. ***If LRS places employees who are unfamiliar with the subject matter of contracts as monitors of those contracts, LRS should ensure that those employees communicate with employees who are familiar with those areas. This control is to ensure the services being provided under the contracts are necessary and useful to the users.***

Issues for Further Study

During this audit, we identified the following issues that require further study, should the legislature wish to pursue them.

Personnel Management Practices

We attempted to address the audit objective related to unfair promotion practices within LRS. We collected information related to promotion practices and staff qualifications. However, because of time and resource constraints, we were unable to conduct a thorough review of promoted employees to compare with the procedures. We did, however, conduct an interview with the assistant director of LRS, who informed us that there has been at least one grievance regarding personnel decisions filed by an LRS employee. This official told us the situation was rectified for the one grievance he knew about. The legislature may wish to request further review of LRS' promotion practices.

Conflicts of Interest

During our review of clients' case files, we observed the following issues that could indicate possible conflicts of interest. The legislature may wish to request additional audit or investigative work in the following areas to assess the relationships involved.

- In one case, a client obtained a job to work for a vendor demonstrating equipment. As part of the client's rehabilitative services, LRS purchased the demonstration equipment from this same vendor for the client to use in the job. An officer in the company was married to the client.
- We saw that, in some cases, vendors performed evaluations of clients and recommended certain equipment for the clients. LRS subsequently purchased the recommended equipment from the same vendors who provided the recommendations.
- We noted some cases in which CRPs provided both vocational assessments for clients as well as the training they recommended in the vocational assessments.

Coordination Between LRS and DSS-Disability Determination Services

There may be coordination problems between LRS and DSS-Disability Determination Services (DDS). The Social Security Administration takes an individual's application and forwards it to DDS for social security benefit determinations. According to LRS officials, DDS sends referrals and medical information to LRS weekly. However, in one case we reviewed, we noted that DDS had obtained a psychological report assessing the progress of a former LRS client. When assessing the client's prior vocational training, the report does not take into account the fact that LRS previously paid for training the client. More review should be done on how LRS and DDS coordinate to ensure that LRS does not obtain unnecessary services for clients.

Counselor Caseloads

According to LRS officials, high counselor caseloads may have contributed to some of the problems we found dealing with lack of documentation, guidance, and counseling. The average caseload statewide is 121, according to LRS officials. However, an LRS official said that counselors can comfortably handle only 70-80 cases while keeping up their other responsibilities. The legislature may wish to request a study to determine the recommended caseload for counselors in vocational rehabilitation programs and compare this standard to that of LRS counselors.

Use of Client Assistance Program

Federal regulations require LRS to fund within its budget the Client Assistance Program. This program is to assist and inform clients of the services and benefits available to them through the programs authorized under the Rehabilitation Act of 1973. It also acts as an advocate for clients in their relationships with LRS. The legislature may wish to request a study to determine the extent that LRS' clients use this program and if it operates as intended.

Boards, Commissions, and Like Entities

We identified 19 boards, commissions, and like entities that may perform some of the same or similar activities and functions as LRS, as shown in Appendix H. However, it is unclear how the activities of these entities operate in relation to LRS. Our audit did not review all functions and activities of these entities in detail. Therefore, additional research may be warranted to determine how these entities interrelate with each other and with LRS.

Client Rehabilitation Information System (CRIS)

During our December 1999 review of LRS' proposed purchase of the CRIS application, we observed several issues of concern. However, since that time, LRS appears to have addressed some of the issues to some extent. Because of time and resource constraints, we were unable to confirm the resolution of these concerns. In addition, we also have questions about the issues listed below. The legislature may wish to direct further review to determine if these concerns have been resolved. Two specific areas of concern are as follows:

- We interviewed several LRS personnel who could not state with certainty who is in charge of the CRIS project within LRS. In addition, DSS-IS officials stated that DSS management has not allocated a position for an agency official to be a full-time project manager for the proposed CRIS project.
- During numerous meetings with LRS officials, we requested documentation to establish a timeline for the process of purchasing the CRIS application. However, LRS could not provide us with complete information until recently.

Appendix A

Classification and Order of Selection Status for Each State's Vocational Rehabilitation Agencies

Appendix A: Classification and Order of Selection Status for Each State's Vocational Rehabilitation Agencies

Agency Classification (G = General, C = Combined, B = Blind)		
State	Under Order of Selection	No Order of Selection
Alabama *		C
Alaska		C
Arizona	C	
Arkansas *	G & B	
California	C	
Colorado	C	
Connecticut	G	B
Delaware	B	G
Florida *	G	B
Georgia *	C	
Hawaii	C	
Idaho		G & B
Illinois	C	
Indiana		C
Iowa	G	B
Kansas	C	
Kentucky *	G & B	
Louisiana *	C	
Maine	G & B	
Maryland	C	
Massachusetts	G	B
Michigan	B	G
Minnesota	G & B	
Mississippi *	C	
Missouri		G & B
Montana		C
Nebraska	G	B
Nevada		C
New Hampshire		C
New Jersey	G	B
New Mexico *	B	G
New York		G & B
North Carolina *		G & B
North Dakota	C	
Ohio	C	
Oklahoma *	C	
Oregon		G & B
Pennsylvania	G	B
Rhode Island	C	
South Carolina *		G & B

(Continued)

Agency Classification (G = General, C = Combined, B = Blind)		
State	Under Order of Selection	No Order of Selection
South Dakota		G & B
Tennessee *	C	
Texas *		G & B
Utah		C
Vermont	G	B
Virginia *		G & B
Washington		G & B
West Virginia	C	
Wisconsin	C	
Wyoming		C
National Total	C=17, G=12, B=7	C=8, G=13, B=18
* Southeastern states and those in our federal region.		
Source: Prepared by legislative auditor's staff using a memorandum from the United States Department of Education from March 23, 1999.		

(Concluded)

Appendix B

Status Codes Used to Track Client Cases

Appendix B: Status Codes Used to Track Client Cases

Client Case Status	Code
Applicant Status: Basic interview completed; Application for Rehabilitation Services signed.	02
Order of Selection Group III: Non-severely disabled; deferred services waiting list.	04
Extended Evaluation: 18 months is maximum time for providing services in this status.	06
Closed before eligibility established.	08
Eligibility Established: RS-2 signed and dated by counselor and supervisor.	10
Holding Status: Prior to start of plan. IPE has been written, signed by client and approved by supervisor (if required); however, program has not begun.	12
Vocational Guidance, Career Counseling & Job Placement: Formalized vocational rehabilitation counseling services required.	14
Physical/Mental Restoration: Provided as primary vocational rehabilitation service or as support service to primary vocational rehabilitation service.	16
Training: Examples include the following or a combination of: college, vo-tech, proprietary school, on-the-job training, personal adjustment training, supported employment, etc.	18
Ready for Employment: Client is actively seeking employment. BRIS mandates that cases in Status 20 move to Status 24 prior to movement to Status 14, 16, or 18.	20
In Employment: Client is in permanent job. BRIS mandates that cases in Status 22 move to Status 24 prior to movement to Status 14, 16, 18, or 20.	22
Services Interrupted: Due to temporary illness, hospitalization, etc. and return to one of the service statuses is anticipated within reasonable time frame.	24
Closed Rehabilitated: Client has been successfully employed for at least 90 days.	26
Closed not rehabilitated <i>after</i> IPE services began.	28
Closed not rehabilitated <i>before</i> IPE services began.	30
Post-Employment Services needed for client to maintain employment.	32
Closed for any reason after post-employment services.	34
Closed for any reason from Status 04.	38
Source: LRS Technical Assistance and Guidance Manual.	

Appendix C

Vocational Rehabilitation Services Provided by LRS

Appendix C: Vocational Rehabilitation Services Provided by LRS

- Assessment for determining eligibility and vocational rehabilitation needs
- Counseling, guidance, and work-related placement services
- Vocational and other training services designed to achieve the employment goal of the individual and documented to be consistent with the unique strengths, abilities and capabilities of the individual
- Physical and/or mental restoration services not including experimental treatment and procedures
- Maintenance for additional costs incurred while participating in a program of vocational rehabilitation
- Interpreter services for persons who are deaf, reader services for persons who are blind, and scribe services that enable an individual to participate in a program of vocational rehabilitation
- Recruitment and training services for individuals with disabilities to provide them with new employment opportunities in the fields of rehabilitation, health, welfare, public safety, law enforcement, and other appropriate public service employment
- Rehabilitation teaching services and orientation and mobility services for individuals who are blind
- Occupational licenses, tools, and equipment
- Initial stocks and supplies necessary to establish a small business enterprise designed to achieve the employment goal of the individual and documented to be consistent with the unique strength, abilities and capabilities of the individual
- Transportation for additional costs incurred while participating in a program of vocational rehabilitation
- Telecommunications, sensory, and other technological aids and devices to enable an individual to participate in a program of vocational rehabilitation
- Rehabilitation technology services
- Referral and other services designed to assist individuals with disabilities in securing needed services from other agencies
- Transition process for individuals in secondary educational programs consisting of vocational rehabilitation services that are designed to achieve the employment goal of each individual and documented to be consistent with the unique strengths, abilities, and capabilities of each individual or as planned during a period of extended evaluation

(Continued)

- On-the-job or related personal assistance services provided while an individual with a disability is receiving vocational rehabilitation services
- Supported employment services
- Services to family members of an individual with a disability as such services are necessary to achieve the employment goal of the individual with a disability or as planned during a period of extended evaluation
- Motor vehicle modifications/renovations that enable an individual to participate in vocational rehabilitation services and necessary for the individual to achieve the agreed upon employment goal
- Personal adjustment training services and peer counseling services for individuals with disabilities as such services are necessary for the individual to achieve the agreed upon employment goal or as planned during a period of extended evaluation
- Instructional services to overcome functional limitations that result from the impact of blindness as such services are necessary for the individual to achieve the agreed upon employment goal or as planned during a period of extended evaluation
- Home modifications for accessibility as such services are documented to be necessary for the individual to achieve the agreed upon employment goal
- Any other goods or services which can reasonably be expected to benefit an individual with a disability in terms of the individual's ability to achieve an employment outcome
- Post employment services necessary to assist an individual to maintain employment

Source: LRS policy manual.

Appendix D

Expenditures by Region FYE 1997 Through FYE 1999

Appendix D: Expenditures by Region

FYE 1997 Through FYE 1999

Region	FYE 1997	FYE 1998	FYE 1999	Total	% of Total
Baton Rouge	\$9,716,055	\$12,150,130	\$13,272,399	\$35,138,584	28.0%
New Orleans	6,745,995	9,512,935	9,878,848	26,137,778	20.8%
Shreveport	3,715,291	4,824,241	5,913,594	14,453,126	11.5%
Monroe	1,567,269	2,372,464	2,543,705	6,483,438	5.2%
Alexandria	1,398,787	1,790,669	1,956,939	5,146,395	4.1%
Houma	2,418,080	2,747,977	2,772,970	7,939,027	6.3%
Lafayette	4,178,682	5,720,542	7,002,619	16,901,843	13.5%
Hammond	2,137,722	3,182,873	3,656,957	8,977,552	7.2%
Lake Charles	1,092,900	1,472,100	1,714,595	4,279,595	3.4%
TOTAL	\$32,970,781	\$43,773,931	\$48,712,626	\$125,457,338	100.0%

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We have noted problems with some BRIS data. However, we checked this information to LRS information and found it to be reasonable for presentation purposes.

Appendix E

Expenditures by Federal Code Groups FYE 1997 Through FYE 1999

Appendix E: Expenditures by Federal Code Groups FYE 1997 Through FYE 1999

Federal Code Groups	FYE 1997	FYE 1998	FYE 1999	Total	% of Total
College	\$9,524,493	\$11,955,257	\$13,770,631	\$35,250,381	28.1%
Other Training	6,151,737	7,726,016	9,308,619	23,186,372	18.5%
Supported Employment	4,605,668	6,834,893	6,987,972	18,428,533	14.7%
Rehabilitation Technology	2,150,383	3,737,445	4,410,313	10,298,141	8.2%
Diagnostic and Evaluation	3,655,357	4,527,165	4,358,288	12,540,810	10.0%
Maintenance	1,824,020	2,693,466	2,780,044	7,297,530	5.8%
Transportation	1,160,032	1,695,219	2,006,291	4,861,542	3.9%
Books, Supplies, Training	631,828	953,133	1,156,413	2,741,374	2.2%
Restoration-Physical/Mental	781,252	770,739	745,565	2,297,556	1.8%
Other					
Home Modifications	198,439	316,867	640,827	1,156,133	0.9%
Vehicle Modifications	543,103	485,231	566,151	1,594,485	1.3%
Occupational Exams and Equipment	489,629	546,531	523,675	1,559,835	1.2%
Special Services	591,957	666,932	449,873	1,708,762	1.4%
Attendant Care	313,005	413,939	423,904	1,150,848	0.9%
Child Care	192,142	233,124	262,090	687,356	0.5%
Small Business Enterprise	118,993	163,010	217,707	499,710	0.4%
Independent Living Services	28,354	54,964	74,142	157,460	0.1%
Post Secondary Services	0	0	28,300	28,300	0.0%
Services to Family Members	10,389	0	1,821	12,210	0.0%
TOTAL	\$32,970,781	\$43,773,931	\$48,712,626	\$125,457,338	99.9%

Note: The percentage column does not total 100% because of rounding.

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We have noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

Appendix F

Expenditures by Primary Disabilities FYE 1997 Through FYE 1999

Appendix F: Expenditures by Primary Disabilities FYE 1997 Through FYE 1999

Primary Disability	FYE 1997	FYE 1998	FYE 1999	Total	% of Total
Mental, Psychoneurotic, and Personality Disorders	\$12,388,643	\$17,055,999	\$19,142,970	\$48,587,612	38.7%
Orthopedic Deformity or Functional Impairments	7,736,896	9,514,223	10,708,919	27,960,038	22.3%
Other Disabling Conditions	4,428,823	6,519,558	7,936,978	18,885,359	15.0%
Visual Impairments	3,368,027	4,544,707	4,116,150	12,028,884	9.6%
Hearing Impairments	2,245,873	2,708,009	2,802,108	7,755,990	6.2%
No Disability	1,226,734	1,345,850	1,609,433	4,182,017	3.3%
Amputations	672,274	1,046,998	1,074,517	2,793,789	2.2%
Traumatic Brain Injuries	634,715	740,133	963,198	2,338,046	1.9%
Hearing/Visual Impairments	191,921	244,330	279,401	715,652	0.6%
No Disability Code Listed	76,875	54,124	78,952	209,951	0.2%
TOTAL	\$32,970,781	\$43,773,931	\$48,712,626	\$125,457,338	100.0%

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We have noted problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for presentation purposes.

Appendix G

**Expenditures by Provider (Vendor) Type
FYE 1997 Through FYE 1999**

Appendix G: Expenditures by Provider (Vendor) Type FYE 1997 Through FYE 1999

Vendor Type	FYE 1997	FYE 1998	FYE 1999	Total	% of Total
Allergy	\$3,263	\$5,934	\$3,113	\$12,310	0.0%
Blank	0	283	0	283	0.0%
Business Schools	363,522	453,713	530,638	1,347,873	1.1%
Cardiology and Vascular Disorder	21,000	26,105	10,859	57,964	0.1%
Child/Day Care	611,795	43,132	117,922	772,849	0.6%
Colleges and Universities	7,766,426	9,735,345	11,119,735	28,621,506	22.8%
Community Colleges	584,357	948,013	903,477	2,435,847	2.0%
Dental	103,144	416,662	321,117	840,923	0.7%
Dermatology	3,895	8,302	4,416	16,613	0.0%
Endocrinology	0	20	0	20	0.0%
Group Homes	2,590,174	3,312,963	2,093,775	7,996,912	6.4%
Gynecology	133,646	371	21,016	155,033	0.1%
Holman, Gumbel, Evergreen	661,430	685,673	430,604	1,777,707	1.4%
Hospital	187,606	226,361	138,071	552,038	0.5%
Internal Medicine	29,948	37,710	102,854	170,512	0.1%
Interpreters	1,535,562	1,364,364	1,130,235	4,030,161	3.2%
Medical	318,417	614,982	1,424,133	2,357,531	1.9%
Medical School - Private	143,550	257,613	401,200	802,363	0.6%
Misc. - Medical	1,094,825	1,903,372	2,398,916	5,397,113	4.3%
Misc. - Non Medical	4,554,788	7,106,698	10,550,806	22,212,292	17.7%
Neurology	27,605	31,795	20,611	80,011	0.1%
Neuro-Psychiatric	285	285	0	570	0.0%
Neuro-Psychological	139,083	171,534	113,612	424,229	0.3%
Neuro-Surgical	37,495	39,255	21,445	98,195	0.1%
Nose and Throat	3,462	47,529	4,233	55,224	0.0%

(Continued)

Vendor Type	FYE 1997	FYE 1998	FYE 1999	Total	% of Total
OJT	\$775,047	\$1,029,080	\$929,113	\$2,733,240	2.2%
Ophthalmology	200,148	237,309	159,302	596,759	0.5%
Optometry	91,589	169,732	52,213	313,534	0.2%
Orthopedic	325,350	464,445	487,042	1,276,837	1.0%
Otology	226,792	234,952	214,780	676,524	0.5%
Out-of-State Training Facility	235,092	363,014	519,052	1,117,158	0.9%
Pathology	457	2,018	1,680	4,155	0.0%
Physical Medicine	94,680	114,760	84,728	294,168	0.2%
Plastic Surgery	3,725	40	11	3,776	0.0%
Private College - In State	805,980	1,024,535	828,742	2,659,257	2.1%
Private College - Out of State	234,745	349,843	294,988	879,576	0.7%
Private CRPs	6,371,399	8,100,389	9,051,138	23,522,926	18.8%
Private Vo-Tech Schools	853,406	998,125	962,075	2,813,606	2.2%
Proprietary Schools	108,736	263,746	976,500	1,348,982	1.1%
Psychiatry	144,802	174,858	146,738	466,398	0.4%
Psychological	1,077,222	2,218,531	1,554,942	4,850,695	3.9%
Pulmonary	7,090	9,716	6,567	23,373	0.0%
Radiology (X-rays)	7,620	13,715	7,448	28,783	0.0%
Rheumatology	4,846	4,586	3,429	12,861	0.0%
State Facilities	89,923	55,550	27,034	172,507	0.1%
State Schools	7,828	0	0	7,828	0.0%
State Vo-Tech	370,272	451,304	515,734	1,337,310	1.1%
Surgical	18,127	53,395	16,186	87,708	0.1%
Urology	627	2,274	10,396	13,297	0.0%
TOTAL	\$32,970,781	\$43,773,931	\$48,712,626	\$125,457,338	100.0%

Source: Prepared by legislative auditor's staff based on computer-assisted analysis of LRS' BRIS database from 7/1/95 through 8/31/99. These figures have not been audited. We have noted some problems with some BRIS data. However, we checked this information to LRS' information and found it to be reasonable for our presentation purposes.

(Concluded)

Appendix H

Boards, Commissions, and Like Entities

Appendix H: Boards, Commissions, and Like Entities

Board, Commission, or Like Entity	Legal Authority	Purpose
Advisory Council for Technology Access by the Visually Impaired	R.S. 39:301	<ul style="list-style-type: none"> To advise the Louisiana Data Base Commission in all matters pertaining to accessibility of public data bases by individuals who are blind or visually impaired
Blind Vendor's Trust Fund	R.S. 46:2651-2653	<ul style="list-style-type: none"> To provide assistance to Louisiana citizens who are legally blind who participate in the Blind Enterprise Program established through the federal Randolph-Sheppard Act
Blind Vendor's Trust Fund Advisory Board	R.S. 46:2654	<ul style="list-style-type: none"> To monitor, evaluate, and review the development and quality of services and programs funded through the Blind Vendors Trust Fund
Board of Supervisors of Louisiana State University and Agricultural and Mechanical College	R.S. 17:1519-1519.3	<ul style="list-style-type: none"> To provide health and medical services including medical services for the uninsured and medically indigent residents of Louisiana through the operation of health care facilities, and other associated activities
Bureau for Handicapped Persons	R.S. 46:2111-46:2115	<ul style="list-style-type: none"> To serve as the state clearinghouse for information concerning the needs, resources, and barriers of handicapped persons, and other associated activities
Capital Area Human Services District	R.S. 46:2661-2666	<ul style="list-style-type: none"> To direct the operation and management of community-based programs and services related to public health, mental health, developmental disabilities, and substance abuse services for the parishes of Ascension, East Baton Rouge, Iberville, Pointe Coupee, and West Baton Rouge

(Continued)

Board, Commission, or Like Entity	Legal Authority	Purpose
Governor's Advisory Council on Disability Affairs	E.O. MJF 99-27 E.O. MJF 96-55	<ul style="list-style-type: none"> To advise the governor on all issues concerning citizens who have disabilities and other associated activities
Governor's Committee on Employment of the Physically Handicapped	R.S. 23:2001-23:2008 and 36:478	<ul style="list-style-type: none"> To promote job opportunities for the physically handicapped and to arouse community interest in the employment problems of the physically handicapped
Governor's Rehabilitation Advisory Council	E.O. MJF 96-43	<ul style="list-style-type: none"> To prepare a state plan for vocational rehabilitation services for individuals with disabilities and other associated activities
Governor's Statewide Independent Living Council	E.O. MJF 96-42	<ul style="list-style-type: none"> To jointly develop, in conjunction with the Office of Rehabilitation Services, a state plan for independent living and other associated activities
Interpreter Certification Board	R.S. 46:2352 and 36:478	<ul style="list-style-type: none"> To report to and advise the Louisiana Commission for the Deaf in the administration of the certification program for sign language interpreters including any specialized interpreters
Louisiana Board of Examiners for Speech-Language Pathology and Audiology	R.S. 37:2650-2661	<ul style="list-style-type: none"> To provide regulatory authority over persons offering speech-language pathology and audiology services to persons with speech disabilities
Louisiana Commission for the Deaf	R.S. 46:2351-2352 and 36:478	<ul style="list-style-type: none"> To serve as advocate for the needs and rights of deaf people and other associated activities
Louisiana Licensed Professional Vocational Rehabilitation Counselors Board of Examiners	R.S. 37:3441-3452	<ul style="list-style-type: none"> To provide for the regulation of the practice of rehabilitation counseling in the state and the regulation of the use of the title "licensed professional rehabilitation counselor"

(Continued)

Board, Commission, or Like Entity	Legal Authority	Purpose
Louisiana Rehabilitation Council	CFR 34, Section 361.16 P.L. 105-220, Section 105	<ul style="list-style-type: none"> To work with LRS to review, analyze, and evaluate the state rehabilitation program and to ensure that the services provided by the program meet the needs of those persons targeted
Louisiana State Interagency Coordinating Council for ChildNet: Louisiana's Early Intervention Program for Infants and Toddlers with Special Needs and Their Families	R.S. 17:1979	<ul style="list-style-type: none"> To advise and assist the Department of Education in developing and implementing policies and procedures of Louisiana's Early Intervention Program for Infants and Toddlers with Special Needs (CHILDNET), and other associated activities
Mental Health Advocacy Service	R.S. 28:64	<ul style="list-style-type: none"> To provide legal counsel to all patients requesting such service and who are admitted for treatment, including but not limited to, voluntary or involuntary admission, commitment, legal competency, change of status, transfer, and discharge
Office of Disability Affairs	R.S. 46:2581-2584	<ul style="list-style-type: none"> To collect facts and statistics and make special studies of conditions pertaining to the welfare of the disabled and other associated activities
Traumatic Head and Spinal Cord Injury Trust Fund Advisory Board	R.S. 46:2632-2635 and 36:478	<ul style="list-style-type: none"> To establish priorities and criteria for disbursement of the fund, to act to obtain maximum benefits available, and other associated activities
Source: Prepared by legislative auditor's staff using the Louisiana Revised Statutes.		

(Concluded)

Appendix I

Response of Louisiana Rehabilitation Services



**State of Louisiana
Department of Social Services**

**M. J. "MIKE" FOSTER, Jr.
GOVERNOR**

**OFFICE OF THE SECRETARY
755 THIRD STREET 2ND FLOOR
P. O. BOX 3776 - PHONE - 225/342-0286
BATON ROUGE, LOUISIANA 70821**

**J. RENE AUSTIN-DUFFIN
SECRETARY**

March 30, 2000

Mr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
2000 MAR 30 PM 4:18

Dear Mr. Kyle:

Enclosed please find Louisiana Rehabilitation Services' (LRS) response to the final draft audit report. The agency expects that we will be given an opportunity to respond if any changes are made to the report.

I would also like to assure you that LRS intends to proceed with the process necessary to implement the recommendations suggested as "cost-savings." LRS, however, has serious concerns about the legality of some of the recommendations and the appearance of conflict with the intent of both the Workforce Investment Act, including Title I, Rehabilitation Act, and the potential negative impact on service delivery to the unserved and underserved populations of persons with disabilities.

As part of the public forum process, LRS fully intends to present these "cost saving" recommendations to the Rehabilitation Services Administration, the Louisiana Rehabilitation Council, the Client Assistance Program, the consumers, and any other interested individuals. LRS also intends to conduct consumer focus groups to ensure that all stakeholders have been given every opportunity to review and comment on the cost saving recommendations.

Louisiana Rehabilitation Services' staff will be available to answer any questions.

Sincerely,

May Nelson, Director
Louisiana Rehabilitation Services

MN:ssb
Attachment

c: J. Renea Austin-Duffin, Secretary, DSS

LOUISIANA REHABILITATION SERVICES' RESPONSE TO THE LEGISLATIVE AUDITOR'S FINAL DRAFT REPORT

(March 30, 2000)

INTRODUCTION

Louisiana Rehabilitation Services (LRS) has embraced the audits of the Agency as constructive self-assessment tools to identify areas that could be improved upon particularly in regards to internal control, data tracking, and monitoring and evaluation.

The following represents LRS' response to the Legislative Auditor's final draft report.

Overview:

The report contains conflicting dates as established by the legislative auditors as the time frame of the audit (July 1, 1998 to June 30, 1999). LRS finds that the data actually spans over a decade, from 1988 through 1999. This led to discrepancies in the application of the requirements of the Rehabilitation Act, and application of agency policies and procedures that were in place during this time period.

LRS intends to proceed with the process necessary to implement the recommendations suggested as "cost-savings." LRS, however, has serious concerns about the legality of some of the recommendations and the appearance of conflict with the intent of both the Workforce Investment Act, including Title I, Rehabilitation Act, and the potential negative impact on service delivery to the unserved and underserved populations of persons with disabilities.

As part of the public forum process, LRS fully intends to present these "cost saving" recommendations to the Rehabilitation Services Administration, the Louisiana Rehabilitation Council, the Client Assistance Program, the consumers, and any other interested individuals. LRS also intends to conduct consumer focus groups to ensure that all stakeholders have been given every opportunity to review and comment on the cost saving recommendations.

Methodology:

LRS is concerned that there is the possibility of a high degree of sampling error potentially leading to incorrect conclusions, generalizations, and unacceptable findings

about the population served statewide. The Legislative Auditor's draft report states, "It should be emphasized that because of the way we selected the case files to review, this test may not be representative of the practices and procedures of the entire agency." It is LRS' opinion that to generalize from a sample to a population, you must have an accurate approximation of the population.

Random and unbiased sampling leads to a representative sample which will more accurately reflect a population. Neither simple, nor systematic random sampling, was used by the auditors in the selection of the Lafayette Regional Office case files for review. In fact, the reasons cited for the selection of the Lafayette Regional Office for case file review reflected the choice of convenience sampling, which is not random, and therefore, is not representative. In addition, the small sample size, which according to the auditors was "judgementally" selected, increases the likelihood of biased conclusions and a failure to represent the overall population from which the sample was drawn.

LRS is concerned about the reliability of fiscal and statistical data contained in some of the exhibits in the body of the Legislative Auditor's *draft* report. As stated in the Legislative Auditor's report, "Source: Prepared by the legislative auditor's staff based on a computer-assisted analysis of LRS' BRIS database. These figures have not been audited. We noted problems with some of the BRIS data. However, we checked this information to LRS information and found it to be reasonable for presentation purposes."

It is noted that the case records cited in this review do not provide an appropriate overview or representation of vocational rehabilitation (VR) cases statewide for the following reasons.

- ❖ The cases cited in each section as examples are cases that are cited over and over. This gives the impression of wide spread problems, when in fact the problems cited are from only a limited number of cases.
- ❖ It is also noted that only a small number of cases were reviewed. According to the final draft report, the representative sample consists of 56 cases representing 30 clients. This is not only a very small percentage of vocational rehabilitation cases statewide, but also a very small percentage of cases in the Lafayette Region.

● Eligibility Determination ●

Audit Issue 1: Inconsistent Qualifications for Services Among Regions Not Widespread.

LRS Response: The Agency agrees that based on the statewide statistical analysis of BRIS, there is no validity to a conclusion that there is inconsistent qualifications for services among regions.

Audit Issue 2: Procedures for Eligibility Determination Lack Control.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. If the case review had been limited to the stated time frame of July 1, 1998 through June 30, 1999, the eligibility form and other case record documentation would show that mechanisms were in place to provide guidance and direction to staff for justification of the eligibility decisions. As an additional measure effective January 31, 2000, all eligibility decisions require supervisory review and approval.

This report contains several inaccurate statements about LRS' procedures relative to "Eligibility Determination" as follows:

- The characterization of what constitutes a person with a severe disability misleads the reader because it omits a complete, integral component of the definition and only partially references it as a footnote. An accurate description, as was applicable during the time frame of the audit, can be found in LRS' Procedures Manual, Section 405.2, Determination of a Severe Disability, II. Definition.
- The definition of "a physical and/or mental impairment" (referenced in a footnote) is incorrect. The auditors used the definition in federal regulations that apply to areas other than the Vocational Rehabilitation Program. The correct citation is Section 361.5 (25), and this definition provides a substantive difference that, if incorrectly stated or omitted, could mislead the reader and provide great susceptibility for misunderstanding.
- The audit report provides a "Note" that omits a substantive word relative to the Counselor's use of client statements to establish functional limitations. The auditor's characterization of the procedure misleads the reader and provides great susceptibility for misunderstanding. An accurate description of the use of client statements to establish functional limitations as was applicable during the time frame of the audit can be found in LRS' Procedures Manual, Section 405.1, Certification of Eligibility/Extended Evaluation/Ineligibility, I. A. 3.

- The characterization of the form, RS-2, Certificate of Eligibility/Extended Evaluation/Ineligibility, is misleading and provides great susceptibility for misunderstanding by the reader. The RS-2 form in use during the time frame of the audit clearly provides the counselors with a mechanism to provide narrative documentation to substantiate the rationale for the decisions checked on the form.
- The audit report failed to include the procedures LRS had in place during the time frame of the audit relative to "Documentation." Evidence of these procedures can be found in LRS' Procedures Manual, Section 407, Documentation, and Section 412.2, Guidance and Counseling During Service Delivery.

Audit Issue 2 A: Supervisors did not review several eligibility decisions.

LRS Response: The Agency agrees with the audit conclusion reached on this issue. As of January 31, 2000, all eligibility decisions require supervisory review and approval.

The report contains a misleading statement which reads, "...supervisors were not supposed to question the eligibility decisions of counselors with IAS." A review of the streamlining information, policy, and procedures will show that this is incorrect.

Recommendation 1: Supervisors should continue to closely review counselors' eligibility decisions to ensure they are appropriate.

➤**LRS Response:** The Agency agrees with this recommendation. As of January 31, 2000, all eligibility decisions require supervisory review and approval.

Audit Issue 2 B: Updated Medical/Psychological reports needed.

LRS Response: In any statistical sample of vocational rehabilitation case records, there will be instances where additional medical or psychological reports may not be found in the case record because such information is not needed when a disability is congenital or permanent. As stated in the 1998 Amendments to the Rehabilitation Act, Section 102—"To the maximum extent appropriate and consistent...(b) for the individual, the designated State unit shall use information that is existing and current..."

In any case where an updated medical or psychological report is necessary, the supervisory review and approval process will provide adequate controls.

The report's short synopsis of LRS' procedures related to updated medical/psychological reports is misleading and provides great susceptibility for misunderstanding by the reader. An accurate reading of LRS' Procedures Manual, Section 405, Determining Eligibility for Vocational Rehabilitation Services, which was in place during the time frame for this audit will provide a clear description of the procedures counselors were directed to follow relative to the "Use of Existing Information, Evaluations to Determine Eligibility, SSI/SSDI Recipients, and Medical Consultants."

It is also noted that the legislative auditors state, "In fact, LRS procedures do not require the counselors to re-determine a severe disability, even if improvement is found, as long as the client is progressing towards the originally established goals." This characterization is misleading as this is a federal requirement and is not a subjective procedural implementation by LRS. Substantiation of this can be found in RSA-IM-86-33.

Recommendation 2: Counselors should substantiate eligibility decisions with current medical and psychological evaluation reports.

►LRS Response: In any statistical sample of vocational rehabilitation case records, there will be instances where additional medical or psychological reports may not be found in the case record because such information is not needed when a disability is congenital or permanent. As stated in the 1998 Amendments to the Rehabilitation Act, Section 102—"To the maximum extent appropriate and consistent...(b) for the individual, the designated State unit shall use information that is existing and current..."

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Audit Issue 2 C: Better documentation to support eligibility determination needed.

LRS Response: The Agency agrees with the audit conclusion to improve documentation. The instructions for the RS-2, Eligibility Form, will be changed to strengthen the requirements for counselors to fully complete the comment section.

The auditors' characterization of the form, RS-2, Certificate of Eligibility/Extended Evaluation/Ineligibility, is misleading and provides great susceptibility for misunderstanding by the reader. The RS-2 form in use during the time frame of the audit clearly provides the counselors with a mechanism to provide narrative documentation to substantiate the rationale for the decisions checked on the form.

Recommendation 3: Counselors should improve their documentation to justify the functional limitations they select for clients. This could be done more efficiently by requiring that doctors' and psychologists' reports and other evaluation data be formatted to include specific discussion relative to the eight types of functional limitations used by LRS. Another possibility is to have the Rehabilitation Counselor Assistants type information for the case files using the dictation machines, as previously done.

► **LRS Response:** The Agency agrees with the audit conclusion to improve documentation. The instructions for the RS-2, Eligibility Form, will be changed to strengthen the requirements for counselors to fully complete the comment section. While the auditors' recommendation to return to "dictation machines" possibly has merit, LRS will investigate more updated technology such as © Dragon Dictate, © Naturally Speaking, etc.

● Services Provided ●

The Audit report contains inaccurate information as stated in the conclusion section relative to LRS' supervisory review mandate. The Audit report states, "However, on January 28, 2000, LRS ended IAS and now requires supervisory review for all the counselors, evaluators, and specialists." Actually, this change was effective January 31, 2000. Also, evaluators do not perform case work and have never been under independent approval status.

This audit report contains inaccurate information relative to LRS' policy/procedures on comparable services and similar benefits. The report asserts that LRS had no policy/procedures in place relative to "documentation in the case file to support the consideration of comparable services and benefits."

This characterization is misleading and provides great susceptibility for misunderstanding by the reader. An accurate reading of the following policy/procedures in place during the time frame of this audit will show that policy and procedures were in place:

1. Procedures Manual, Section 410, Comparable Services and Similar Benefits, and/or Policy Manual, Section VIII, Financial, A. Comparable Services and Similar Benefits;
2. Policy Manual, Section I, Agency Profile, H. Case File Documentation; and
3. Procedures manual, Section 407, Documentation.

Comprehensive Assessment

The audit report comments relative to LRS' Policy and Procedures on the "Comprehensive Assessment" contains substantial errors, misstatements, and omissions; and provides great susceptibility for misunderstanding by the reader as follows:

1. The audit reports indicates that, "The counselor may also obtain additional information when it is in the client's best interest."
2. The audit report omits a vital area of assessment.

An accurate reading of the following policy/procedures information in place during the time frame of this audit will show that the audit report information is misleading and provides great susceptibility for misunderstanding by the reader:

1. Procedures Manual Section 409, Comprehensive Assessment
 - Purpose
 - Scope

2. Policy Manual, Section VI, Comprehensive Assessment
 - Purpose
 - Scope

Individualized Written Rehabilitation Program

The audit reports relative to LRS' Policy and Procedures on the "Individualized Written Rehabilitation Program (IWRP)" contains inaccurate information and provides great susceptibility for misunderstanding by the reader.

1. An accurate reading of the following policy/procedures information in place during the time frame of this audit finding will show that the audit report information is misleading and provides great susceptibility for misunderstanding by the reader:
 - Procedures Manual, Section 413, IWRP
 - Policy Manual, Section VII, IWRP

Audit Issue 1: Lack of oversight of counselors with Independent Approval Status.

LRS Response: The audit report fails to consistently recognize that LRS has abolished IAS (Independent Approval Status). We agree that the proper documentation was not present in the case record of the two (2) cited cases. However, the individual was an eligible client and receiving appropriate services. Therefore, there was no violation of federal law or regulations.

Recommendation 4: LRS should attempt to recoup improper cash payments made directly to clients and/or unauthorized equipment provided to clients.

➤**LRS Response:** The Agency agrees with this recommendation based on the findings of the auditors. Relative to the issue of equipment, an amended plan should have been completed on both cited cases to properly authorize the purchases. As of January 31, 2000, supervisory review and approval is required.

LRS will implement a requirement for the counselor to complete a cancellation form. Such cancellation form will be approved by the supervisor and forwarded to state office to determine if a recoupment is legal and is required.

Recommendation 5: LRS should maintain the policy implemented January 28, 2000, which abolished the independent approval status.

Managerial review is vital to the efficiency and effectiveness of the program.

►LRS Response: The Agency agrees with this recommendation.

Audit Issue 2: Non-Compliance with LRS policies/procedures.

LRS Response: LRS disagrees with the audit report's use of the term, "non-compliance." According to the Government Auditing Standards issued by the Comptroller General of the United States dated June, 1994, "non-compliance comprises illegal acts (violations of laws and regulations) and violations of provisions of contracts or grant agreements. The audit report does not cite, nor did LRS violate, any law or regulation as alleged. This auditing standard can be found in Chapter 7, Item 7.27, Non-Compliance and Abuse. This incorrect characterization misleads the reader and provides great susceptibility for misunderstanding.

Audit Issue 2 A: Services provided to clients in Order of Selection Group III.

LRS Response: The Agency agrees that the cases served under the Intervention to Prevent Blindness program were inappropriately tracked under Order of Selection Group III. The Agency will establish procedures to assure that counselors code Intervention to Prevent Blindness clients in the appropriate category.

Recommendation 6: LRS should revisit the issue related to the Intervention to Prevent Blindness Program to see if it is appropriate for the agency to operate such a program.

►LRS Response: The Agency does not agree with this recommendation. According to the Rehabilitation Act, Section 103 (a)(6), vocational rehabilitation services include, "to the extent that financial support is not readily available from a source (such as through health insurance of the individual or through comparable services or benefits consistent with Section 101 (a)(8)(A)), other than the designated state unit, diagnosis and treatment of physical and mental impairments, including (A) corrective surgery or therapeutic treatment necessary to correct or substantially modify a physical or mental condition that constitutes a substantial impediment to employment, but is of such a nature that such correction or modification may reasonably be expected to eliminate or reduce such impediment to employment within a reasonable length of time; (B) necessary hospitalization in connection with the surgery or treatment; (C)

prosthetic and orthotic devices; (D) eyeglasses and visual services as prescribed by qualified personnel who meet State licensure laws and who are selected by the individual; ...”

Additional references related to LRS’ legal authority to administer the Prevention of Blindness services can be found in RS 46:331 and 46:332 entitled Prevention of Blindness and Vocational Training, and RS 36:474(F).

Recommendation 7: Management should establish procedures to monitor payments for non-diagnostic services to clients in order of selection group III.

►LRS Response: The system now has internal control measures that will prevent a client from being served in category III if LRS has not opened services to this category of individuals.

Audit Issue 2 B: Provision of services for eye surgeries.

LRS Response: The Agency will investigate the following recommendations of the draft legislative audit report.

Recommendation 8: The Lafayette Region should examine the feasibility of referring Intervention to Prevent Blindness clients to the Earl K. Long Hospital in Baton Rouge.

►LRS Response: The Agency will implement this recommendation when it is feasible and capable of meeting the clients’ individual needs. Section 361.53 of the Federal Regulations indicates that comparable services do not apply if the determination of the availability of comparable services and benefits would delay the provision of services to any individual who is determined to be at extreme medical risk based on medical evidence provided by an appropriate qualified medical professional, or an immediate job placement would be lost due to a delay in the provision of comparable services and benefits.

Recommendation 9: LRS officials should contract with Lafayette area hospitals and doctors to pay what Medicare and Medicaid would pay for eye surgery and associated services.

►LRS Response: The Agency will explore this recommendation.

Audit Issue 2 C: Some services purchased but not authorized on IWRPs

LRS Response: The Agency agrees with the audit conclusion reached on this issue on the two (2) cited cases.

Recommendation 10: Counselors should follow purchasing guidelines by authorizing all services provided to clients on the IWRP. Counselors should be sure to sign all IWRPs they prepare, as well.

➤ **LRS Response:** The Agency agrees with this recommendation. As of January 31, 2000, internal controls were put in place whereby supervisors are required to review and approve all IWRPs (IPEs), and BRIS-1 documents.

Recommendation 11: Counselors should ensure that clients pay for the portion of services documented on the IWRP as being the client's responsibility.

➤ **LRS Response:** The Agency does not agree with this recommendation as stated. LRS can only ensure that the Agency pays its portion and that clients fully understand their responsibilities and rights under the IWRP (IPE). As of January 31, 2000, internal controls were in place whereby supervisors are required to review and approve all IWRPs (IPEs).

Recommendation 12: LRS should attempt to recoup payments made erroneously, such as the erroneous automatic transportation payments made that amount to \$873.

➤ **LRS Response:** The Agency agrees with this recommendation. On the one (1) case cited in the final draft report, the recoupment request will be processed.

Audit Issue 2 D: Services provided did not always address clients' functional limitations.

LRS Response: The legislative auditors failed to understand the overall mission of the Rehabilitation Act and have applied an outdated "medical model" in their interpretation of "vocational rehabilitation." LRS procedures clearly state that "services are considered necessary and appropriate if the service(s) can address the identified functional deficits and **assist** the individual in performing job functions and/or **gaining knowledge or skills** necessary to compete for, obtain, or maintain employment." The longstanding mission of the Rehabilitation Act is that service provision to eligible individuals is based on the

unique needs of the individual encompassing an array of comprehensive services necessary for the disabled individual to reach a goal of employment.

The final draft audit report's interpretation of the nature and scope of the comprehensive assessment and the provision of services does not provide an adequate perspective on the information contained in LRS' Policy and Procedures Manuals. An accurate reading of the following sections of the manuals (in place during the time frame of the audit) will give the reader a correct portrayal of this part of the vocational rehabilitation process and the requirements set forth by LRS:

1. Procedures Manual, Section 409, Comprehensive Assessment
 - Purpose
 - Scope
2. Policy Manual, Section VI, Comprehensive Assessment
 - Purpose
 - Scope

Recommendation 13: Counselors should ensure that the services they approve directly address the clients' functional limitations. Providing only these types of services should help remediate the client's limitations and allow them to pursue further education or employment on their own. It would also free up funds to use for other clients.

►**LRS Response:** The legislative auditors failed to understand the overall mission of the Rehabilitation Act and have applied an outdated "medical model" in their interpretation of "**vocational rehabilitation.**" LRS procedures clearly state that "services are considered necessary and appropriate if the service(s) can address the identified functional deficits and **assist** the individual in performing job functions and/or **gaining knowledge or skills** necessary to compete for, obtain, or maintain employment." The longstanding mission of the Rehabilitation Act is that service provision to eligible individuals is based on the unique needs of the individual encompassing an array of comprehensive services necessary for the disabled individual to reach a goal of employment.

Audit Issue 2 E: Unrealistic employment goal.

LRS Response: The Agency does not agree with the audit conclusion reached on the one (1) case cited. Services were provided including guidance and counseling which resulted in the client receiving a bachelor's degree.

Recommendation 14: Counselors should carefully assess the likelihood of clients' collegiate success before agreeing to provide tuition and related services. This would help to ensure that the clients could successfully complete their training programs quicker, and as a result, achieve cost savings.

►LRS Response: The Agency agrees with this recommendation and does require comprehensive assessments to help establish or substantiate appropriate vocational goals.

Audit Issue 2 F: Little evidence in some case files indicating clients required services to retain employment.

LRS Response: This report indicates that "...management reduced the level of documentation required during the streamlining project," and thus gives the reader inaccurate information.

A reading of LRS' procedures from both before (Section 404.19, Post Employment Services) and after (Section 416, Post Employment Services) the streamlining project will show that Post-Employment Procedures remained substantively unchanged and did not dilute the level of documentation required.

Recommendation 15: Management should implement controls to ensure that all case files contain supporting evidence to justify the need for vocational rehabilitation services to retain employment.

►LRS Response: The Agency agrees with this recommendation and has implemented internal controls. As of January 31, 2000, all case record eligibility decisions must be reviewed and approved by supervisors. In addition, state office will randomly review cases in each caseload.

Audit Issue 2 G: Comparable services and similar benefits not always explored.

LRS Response: The Agency agrees that comparable services and benefits were not always documented. The Agency recognizes the need to eliminate any potential confusion relative to whether or not comparable services and benefits have been explored, and will require an entry on Form RS-14 either showing the comparable service/similar benefits or stating that "none exists."

Recommendation 16: Counselors should thoroughly investigate all comparable benefits and services before approving LRS funds for spending. Counselors should also thoroughly document their investigation of these comparable benefits and services.

►LRS Response: The Agency agrees with this recommendation. The Agency agrees that comparable services and benefits were not always documented. The Agency recognizes the need to eliminate any potential confusion relative to whether or not comparable services and benefits have been explored, and will require an entry will require an entry on Form RS-14 either showing the comparable service/similar benefit for stating that "none exists."

Audit Issue 2 H: Some problems with client participation in cost of services.

LRS Response: The Agency agrees that there were problems with completion of the financial information in the cases cited. The new form RS-14 implemented in July, 1999, and the supervisory review and approval implemented January 31, 2000, will affect internal controls relative to this issue.

Recommendation 17: Counselors should exhibit great care when obtaining and documenting financial information on their clients. In doing so, counselors should obtain outside verification that the information presented by the clients pay for applicable portions of services and that LRS does not overspend in cases where clients can afford to contribute to the cost of their plans.

►LRS Response: The Agency agrees that there were problems with completion of the financial information in the cases cited. The new form RS-14 implemented in July, 1999, and the supervisory review and approval implemented January 31, 2000, will affect internal controls relative to this issue. Verification of financial data is now required on the services contingent upon economic need in line with the agency's policies and procedures on financial need.

Audit Issue 2 I: Counselors did not always adhere to procedures regarding tuition assistance.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue based on Federal Regulation 361.50, which indicates that written policies may not establish any arbitrary limits on the nature and scope of

vocational rehabilitation services, and must ensure that the provision of services is based on the rehabilitation needs of each individual and is consistent with the individual's informed choice.

It should be noted that the GATB Score and IQ minimums are only two (2) of the criteria which may be evaluated to assess an individual's probability for success in a collegiate program. Other factors can be cited if they manifest reasonable expectation that the client can perform in a college curriculum.

In the first case cited, it is noted that in 1991 when the client entered university training, she met two (2) pre-requisite requirements for college attendance. (High school cumulative average and prior college cumulative average). In the second case cited, it is noted that the client had made an aborted attempt at college training two (2) years prior to becoming eligible for services and had done very poorly. However, when the IWRP (IPE) for college placement was being undertaken, it was the counselor's determination that the client did have college level ability in that she had a composite of 26 on her ACT and had qualified for honors placement in English (English ACT Score 30). In the third case cited, it is noted that the client is deaf-blind. Standardized tests may not be valid for individuals with this disability nor may these individuals be able to take these tests, as outlined in LRS' Procedures Manual. Both Louisiana School for the Deaf and Gallaudet University have the capacity to fairly test individuals who are deaf-blind. These specialized assessments were used to determine competency to perform at a collegiate level. As two prerequisites were present in the case record, the need to have paper verification of the client's self-reported high school GPA was not necessary. In the fourth case cited, it is noted that the ACT, high school transcript and GATB scores were in the client's first case record and were available for documentary purposes. All scores indicated college level ability.

In reference to the comment that none of the files contain a WAIS Verbal IQ and that only one file contained GATB G-factor, it is noted that in all of these cases there was substantiation of college level capability based on other acceptable factors.

The audit report states that "...college tuition, by far, comprised the largest proportion of these payments." However, the report does not take into consideration the increase in the number of clients provided this service.

LRS has information to substantiate the use of post-secondary training for persons with disabilities, including college training, through information obtained from the Department of Labor, Employment Standards Administration, indicating that "Wages and employment opportunities will favor those who get higher levels

of education and training. For example, a Princeton University study found that workers who use computers earn 10-15 percent more than those whose jobs do not require them. Workers with college degrees have higher earnings today than in the early 1980's, while the earnings of those with only a high school education or less have stayed the same or fallen."

The report's short synopsis of LRS' procedures related to "College Training", particularly Exhibit 27, is misleading and provides great susceptibility for misunderstanding by the reader. An accurate reading of the following

procedures in place during the time frame of this audit will show that the auditor's interpretation provides great susceptibility for misunderstanding by the reader:

- Procedures Manual Section 4121.6, College Training
 - General Guidelines
 - College/University Training (Bachelor's Degree)
 - Mean ACT Composite Scores for Enrolled Freshmen
 - Two-year College Training (Associate Degree)
 - Hours and Grades
 - Training Beyond the Undergraduate Level
 - Private Colleges/Universities
 - Resident/Non-Resident
 - Purchasing Guidelines

Recommendation 18: Management should implement controls to ensure that counselors adhere to the policies and procedures regarding the authorization of tuition assistance.

➤ **LRS Response:** As of January 31, 2000, internal controls were put in place whereby supervisors are required to review and approve all IWRPs (IPEs).

Audit Issue 2 J: Procedures not always followed for small business enterprises.

LRS Response: The Agency does not agree with some of the audit conclusions reached on this issue regarding "process" cited on the three (3) cases involving two (2) clients.

LRS agrees to procedural errors in the case; however, the total expenditures in the case were all legitimate. The first case on the client should have had an amended IWRP (IPE) done to initiate the second purchase. The case was still active and did not represent expansion of the business as the services

encompassed the overall start-up of the business, even though the word "expand" was used in the narrative entry. We do agree that once this case was closed, the second case involving the final tool purchase of \$1807 should not have been undertaken. The total spent in both cases remained under the maximum \$20,000 allowed, and the total contribution made by the client relative to both cases was above 50%, exceeding the required 20%. It is also noted that the business has been successful and is doing well.

In the second cited case, LRS agrees that the client did not attend a workshop on small business development. LRS further agrees that the business plan she submitted was not evaluated by a small business development center. Also, LRS concurs that the client was approximately \$70 short in her total matching contribution. LRS disagrees that the exception was not fully documented and justified. The Bureau Administrator over Program Services was given authority to send an e-mail which transmitted the LRS Director's decision regarding the exception on this case. Exceptions by the Director are authorized in the promulgated LRS Policy Manual. The client had a viable background for initiation of this business venture. The client's business involves services to ill and disabled children who are hospitalized. The client's own history reflects that as a polio victim she had to undergo over 40 surgical procedures, giving her a unique perspective on the needs of these children. Furthermore, the client had over seven years of experience in working for non-profit businesses providing services to the disabled. It is also noted that the business venture has been successful and has attained local, state, and some national awareness. The client is earning a salary as stipulated by her board of directors.

Recommendation 19: Before cases are approved, counselors should thoroughly review all procedures related to small business enterprises to ensure that they are being met.

►**LRS Response:** The Agency agrees with this recommendation. As of January 31, 2000, internal controls are in place whereby supervisors are required to review and approve all IWRPs (IPEs).

Audit Issue 2 K: Counselors did not always follow purchasing guidelines for other services.

LRS Response: The Agency does not agree with some of the audit conclusions reached on this issue. Based on a review of the cited errors, of the 33 cases reviewed, the agency agrees that 23 of the cases had processing or coding errors. These incidents will not result in any disallowed costs in accordance with federal rules and regulations. As a result of LRS' review of these cases, it is noted that there were three (3) cases where overpayments were made. A

request for recoupment has been processed in one of the three (3) cases and the recoupment process will be initiated in the remaining two (2) cases.

Recommendation 20: LRS management should monitor to see that the LRS purchasing guidelines are followed, which will help ensure that services are obtained and paid for in accordance with the guidelines.

►**LRS Response:** The Agency agrees with this recommendation. LRS uses a monitoring and evaluation instrument to conduct fiscal case

reviews to ensure that services are obtained and paid for in accordance with the purchasing guidelines.

Recommendation 21: LRS management should develop official agency purchasing guidelines for provision of childcare services to clients.

►**LRS Response:** The Agency does not agree with this recommendation. Federal Regulations, Section 361.50, prohibit the placing of absolute dollar limits on specific service categories or on the total services provided to an individual as recommended by the final draft audit report. LRS has purchasing and payment procedures in place for childcare services.

Audit Issue 2 L: Little evidence in some case files of guidance and counseling.

LRS Response: The audit report states that "...management reduced the level of documentation required during the streamlining project." A reading of LRS' Procedures Manual, Section 408, Vocational Guidance and Counseling for Career Planning, (Section 404.7, Vocational Guidance and Career Counseling, 11-1-94) from both before and after the streamlining project, respectively, will show the procedures remained unchanged. The level of documentation required was neither reduced nor increased. When this is cross-referenced with the addition of Section 412.2, Guidance and Counseling During Service Delivery, the sum of procedures relative to documentation has actually increased since streamlining.

Recommendation 22: Management should implement controls to ensure that case files provide supporting evidence that substantiates the level of guidance and counseling by the counselor.

►**LRS Response:** The Agency has implemented internal controls. LRS conducted statewide training in every region in the fall of 1999 that

included this issue. Effective January 31, 2000, all eligibility decisions and IWRPs (IPEs) must be reviewed and approved by supervisors. In addition, state office will randomly review cases in each caseload.

Audit Issue 2 M: Number of successful case closures may be overstated.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue based upon a review of the cited cases.

In the first case cited, it is noted that the client made an informed choice to accept the job as a customer service representative. Her salary was approximately \$19,000 per year. The job was compatible with the client's informed choice. The case was successfully closed. The services provided by LRS contributed to the client's employment.

In regards to the twenty hour issue, it is noted that LRS' decisions about cases must be based on each individual's strengths, resources, priorities, concerns, abilities, and capabilities. All three (3) cases noted were clients who, because of the nature and severity of their disability, needed intensive supported employment and were given individual consideration as they were currently working to the optimum of their potential. This is in line with agency procedures.

Recommendation 23: Management should continue to ensure that the counselors are adhering to the policies and procedures regarding the minimum requirements for successful case closure.

►**LRS Response:** The Agency agrees with this recommendation and has implemented internal controls. As of January 31, 2000, all case record documentation pertaining to closure must be reviewed and approved by supervisors. In addition, state office will randomly review cases in each caseload.

Audit Issue 2 N: Counselors opened new cases instead of providing post-employment services.

LRS Response: The Agency agrees with the audit conclusion reached on this issue. Since the determination to serve an individual as a "post-employment case" has a high degree of subjectivity, internal management control related to this issue will be addressed through the agency's case monitoring system.

However, it is important to understand the complexities involved in dealing with severely disabled individuals, and the extent of additional services required to determine whether or not a new case is opened or services are provided under

post-employment services. For example, in the third case cited, this individual suffers from progressive debilitation as a result of polio. During the course of her adult life, she has had to return to the agency when increasing functional losses have impacted her employability. At each point of return, a judgement has to be made as to whether or not the client will need a complex array of services. This will determine whether a new case needs to be opened or the client can be served through post-employment services.

Section 361.5 (37) of the Federal Regulations states, "Post-employment services are intended to ensure that the employment outcome remains consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, and interests. These services are available to meet rehabilitation needs that do not require a complex and comprehensive provision of services, and thus, should be limited in scope and duration. If more comprehensive services are required, then a new rehabilitation effort should be considered. Post-employment services are to be provided under an amended individualized written rehabilitation program; thus, a re-determination of eligibility is not required. The provision of post-employment services is subject to the same requirements in this part as the provision of any other vocational rehabilitation service. Post-employment services are available to assist an individual to maintain employment, e.g., the individual's employment is jeopardized because of conflicts with supervisors or co-workers and the individual needs mental health services and counseling to maintain the employment; to regain employment, e.g., the individual's job is eliminated through reorganization and new placement services are needed; and to advance in employment, e.g., the employment is no longer consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, and interests."

Recommendation 24: LRS should use supervisory reviews to ensure that counselors do not open new cases when only post employment services for preceding cases may be necessary.

►LRS Response: The Agency does not agree with the recommendation that supervisory review is the only option to ensure that counselors do not open new cases when only post-employment services for preceding cases may be necessary. LRS will use a monitoring and evaluation instrument to conduct case reviews to ensure that the procedures we have in place are being followed. This option will be less labor intensive due to our shortage of human resources.

Audit Issue 2 O: Provision of same services to clients with multiple cases questionable.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. As cited in RSA Policy Directive 97-04, "The provision of VR services to an eligible individual who is currently employed, but whose job is not consistent with the individual's strengths, resources, priorities, concerns, abilities, and capabilities, must assist that individual to obtain employment consistent with the individual's primary employment factors and informed choice. Under such circumstances, VR services would be provided for 'career advancement' or 'upward mobility' purposes..."

Recommendation 25: LRS should obtain an opinion from the Rehabilitation Services Administration regarding the provision of the same services in subsequent cases to clients who do not display an obvious need or the willingness to cooperate in the earlier cases.

►LRS Response: The Agency disagrees with the recommendation to obtain an opinion from RSA. LRS already has an opinion as stated in RSA Policy Directive 97-04.

It should be noted in the two cited cases that there was a willingness of the clients to cooperate and a determination of the need for the provision of services. It should be noted that LRS can and does deny vocational rehabilitation services on the basis of failure to cooperate. In 1997, 1,454 cases were closed due to failure to cooperate. In 1998, 1,616 cases were closed due to failure to cooperate. In 1999, 1,814 cases were closed due to failure to cooperate.

Recommendation 26: If it is determined that LRS cannot limit the provision of additional services of the same type for clients who were not successfully rehabilitated when those services were provided previously, LRS should implement other measures to control the cost of providing the same services to clients throughout multiple cases.

►LRS Response: The Agency does not agree with this recommendation based on Federal Regulation, Section 361.42, which states, "The eligibility requirements are applied without regard to the particular service needs or anticipated cost of services required by an applicant..."

Audit Issue 3: No economic needs test for tuition.

LRS Response: The Agency agrees with the audit conclusion reached on this issue.

Recommendation 27: LRS should continue to apply the economic needs test for tuition assistance payments. This cost control measure will help

ensure that LRS is providing tuition assistance based on clients' financial needs.

►LRS Response: The Agency agrees with this recommendation.

Recommendation 28: LRS should explore other ways of controlling the amount of tuition assistance payments it applies to individual cases.

►LRS Response: This Agency does not agree with this recommendation. The Agency has procedures in place to identify and use comparable

services and similar benefits, and also uses the prevailing state tuition rates at public post-secondary schools as a basis for payments.

Audit Issue 4: Services provided: Background information.

LRS Response: This issue does not require a response.

Audit Issue 5: Informed client choice in selection of vendors.

Audit Issue 5 A: Insufficient performance information on vendors.

LRS Response: The Agency agrees with the audit conclusion reached on this issue. A quarterly report has been developed which includes performance information that will be compiled and provided to the field to assist clients in making informed choices. In addition, as a mandated partner under the Workforce Investment Act, LRS has agreed (in the unified Louisiana State Plan for Workforce Development) to participate in the provider scorecard system to provide performance information on vendors.

Recommendation 29: LRS should develop performance standards for vendors, especially supported employment vendors. This should include coordinating with the Workforce Commission on the information for the report card.

►LRS Response: The Agency developed and promulgated community rehabilitation performance standards that became effective on October 20, 1998. LRS has and will continue to participate as a partner under the Workforce Investment Act (in the unified Louisiana State Plan for Workforce Development) in the provider scorecard system to provide performance information on vendors.

Recommendation 30: LRS should compare each vendor's actual performance to the standards to determine how successful the vendor has been in providing quality products and services. Some examples of the types of performance information LRS needs to collect on each vendor are: the number of clients who were placed in jobs or who maintained employment as a result of the vendor's efforts, the cumulative annual salary of rehabilitated clients with disabilities¹⁶, and the average starting salary of clients who were placed in employment.

➤ **LRS Response:** The Agency agrees with this recommendation. The Agency developed and promulgated community rehabilitation performance standards that became effective on October 20, 1998.

Recommendation 31: LRS should make vendor information available to everyone involved in the vendor selection process. This would include regional managers, district supervisors, counselors, clients, and clients' families. LRS could accomplish this by creating a database containing price information, vendor service history, and merchandise/service quality¹⁷.

➤ **LRS Response:** The Agency agrees with this recommendation. As a mandated partner under the Workforce Investment Act, LRS has agreed (in the unified Louisiana State Plan for Workforce Development) to participate in the provider scorecard system to provide performance information on vendors.

Recommendation 32: LRS should require documentation in each client's file showing how and why each vendor was chosen. This documentation would serve as support that the client made an informed choice. To help control the amount of documentation that would become necessary, LRS could institute a policy requiring documentation only for purchases over a certain dollar amount.

➤ **LRS Response:** The Agency agrees with this recommendation as the process of documentation has always been a mandate on the IWRP (IPE). Supervisory review will now assure that the procedure is followed.

Audit Issue 5 B: Little evaluation of client satisfaction with vendors.

LRS Response: RSA-TAC-96-01, indicates that the statutory responsibility for conducting a review and analysis of the effectiveness of consumer satisfaction with functions performed and vocational rehabilitation services provided by LRS, rests with the Louisiana Rehabilitation Council. Other citations are Federal

Regulations 361.17 and the Rehabilitation Act of 1998, as amended, Section 101 (a)(21), including client satisfaction with vendors. LRS has an agreement with the Louisiana Rehabilitation Council not to duplicate the Client Satisfaction Survey. LRS uses the results of the council survey for strategic planning, formulation of the state plan, and policy and procedure research and development.

Recommendation 33: LRS should use surveys and focus groups or other comparable means targeted at vendor performance to assess the performance of vendors. This would also help LRS identify areas in the service provision program that need improvement.

➤ **LRS Response:** The Agency agrees with this recommendation. LRS uses the results of the council survey and information gathered from their public forums for strategic planning, formulation of the state plan, and policy and procedure research and development.

Audit Issue 6: Little quality control over services provided by private CRPs.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. LRS routinely conducts CRP site reviews on programs with whom LRS contracts and on LRS operated CRPs.

Recommendation 34: LRS should conduct regular periodic site reviews of private CRPs. Site reviews would provide LRS with an added quality control measure over services and products purchased from private CRP vendors.

➤ **LRS Response:** The Agency agrees with this recommendation. LRS does routinely conduct CRP site reviews on programs with whom LRS contracts and on LRS-operated CRP's. As part of the proposed rate-setting system, a site review will be conducted on all CRP's during the implementation phase prior to setting the rate, and a site review will be conducted if there is an increase or decrease in rates, or to address programmatic issues.

Audit Issue 7: Reduction of service costs.

LRS Response: This issue does not require a response.

Audit Issue 7 A: Non-competitive procurement practices for purchases from vendors.

LRS Response: The Agency does not agree with the audit conclusion reached in this issue as it relates to fee-for-service providers. The Rehabilitation Act, Section 102(d)(3), requires that a state must develop and implement "...flexible procurement policies and methods that facilitate the provision of services, and that afford eligible individuals meaningful choices among the methods used to procure services..." The opinion of the legislative auditors is in conflict with the intent of this specific federal requirement.

Recommendation 35: LRS should examine the types of services it provides and develop a competitive process that takes price and performance into account. This would help ensure that LRS is using the most efficient methods possible to purchase services.

► **LRS Response:** The Agency agrees with this recommendation. However, the Rehabilitation Act, Section 102(d)(3), requires that a state must develop and implement "...flexible procurement policies and methods that facilitate the provision of services, and that afford eligible individuals meaningful choices among the methods used to procure services..."

Recommendation 36: LRS should also develop a procedure to ensure that vendor performance results are provided to all persons involved in the vendor-selection process.

► **LRS Response:** The Agency agrees with this recommendation. As a mandated partner under the Workforce Investment Act, LRS has agreed in the unified Louisiana State Plan for Workforce Development, to participate in the provider scorecard system to provide performance information on vendors, and such information will be contained in a vendor database.

Audit Issue 7 B: Buying power could lead to high-volume discounts.

LRS Response: The Agency agrees with the audit conclusion reached on this issue to the extent that we can comply with the federal regulations relative to flexible procurement procedures and informed choice. It should also be noted that LRS' policy and procedures on client choice and flexible procurement have been identified as an "exemplary program area" by the Rehabilitation Services Administration.

Recommendation 37: LRS should use its buying power to request discounts from high-volume vendors.

► **LRS Response:** The Agency agrees with this recommendation to the extent that we can comply with the federal regulations relative to flexible procurement procedures and informed choice. It should also be noted that LRS' policy and procedures on client choice and flexible procurement have been identified as an "exemplary program area" by the Rehabilitation Services Administration.

Audit Issue 7 C: No use of state contracts for some client purchases.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. The Agency does use state contracts if the terms of the contract meet the specific needs of and are consistent with the informed choice of the clients.

Recommendation 38: To reduce the cost of client purchases, LRS should consider using state contracts for the purchase of some items. LRS should exercise flexibility when making purchasing decisions, however. Price negotiation with local vendors should still be part of the purchasing process.

► **LRS Response:** The Agency agrees with this recommendation. State contracts are used if the terms of the contract meet the specific needs of and are consistent with the informed choice of the clients. The Rehabilitation Act of 1973, as amended, Section 102(b)(2)(B), Informed Choice, states, "An individualized plan for employment shall be developed and implemented in a manner that affords eligible individuals the opportunity to exercise informed choice in **selecting** an employment outcome, the specific vocational rehabilitation services to be provided under the plan, the entity that will provide the vocational rehabilitation services, and the methods used to procure the services, ..."

Audit Issue 7 D: No ownership/control over property purchased for clients.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. LRS has contacted the Deputy Director of Rehabilitation Services in New Mexico. New Mexico's Vocational Rehabilitation Program does have a technical assistance program that loans equipment to clients; however, ownership of the property is by the school district and not the vocational rehabilitation program. Implementation of a loan program will require additional resources such as warehouses, capital to purchase initial equipment, monies to update outdated equipment, monies for repairs, and additional staff.

Recommendation 39: LRS should explore the possibility of creating a loan system that allows clients to use equipment, such as computers, without transferring ownership of the items to the clients. This would save money for LRS because items could be used by more than one client.

➤ **LRS Response:** The Agency does not agree with this recommendation because it will not be cost effective. Implementation of a loan program will require additional resources such as warehouses, capital to purchase initial equipment, monies to update outdated equipment, monies for repairs, and additional staff. LRS would also have to replace equipment that is lost, stolen, damaged, broken, destroyed, or otherwise misused while in the possession of clients.

Audit Issue 7 E: No obligation to transfer ownership of property to clients.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue because it will not be cost effective. Implementation of a loan program will require additional resources such as warehouses, capital to purchase initial equipment, monies to update or replace outdated equipment, monies for general or specialized repairs, and additional staff. LRS would also have to replace equipment that was lost, stolen, damaged, broken, destroyed, or otherwise misused while in the possession of clients.

Recommendation 40: LRS must resolve the constitutional issue regarding prohibited donations or loaning of state property. Therefore, we recommend that LRS seek an opinion from the Department of Justice on this issue.

➤ **LRS Response:** The Agency does not agree with this recommendation because it will not be cost effective. Implementation of a loan program will require additional resources such as warehouses, capital to purchase initial equipment, monies to update or replace outdated equipment, monies for general and specialized repairs, and additional staff. LRS would also have to replace equipment that is lost, stolen, damaged, broken, destroyed, or otherwise misused while in the possession of clients. Therefore, no opinion from the Department of Justice is necessary.

Audit Issue 8: No permanent uniform rate setting plan.

LRS Response: The Agency agrees with the audit conclusion reached on this issue. A state office coordinated task group researched and negotiated private vendors, and reviewed with LRS executive level personnel the development of statewide interim

rates for community rehabilitation programs utilized by LRS. These interim rates were implemented during state fiscal year 1999/2000. These interim rates are based upon the Oklahoma Milestone Program that was cited in the Legislative Auditors final draft report.

Recommendation 41: LRS should create a permanent rate setting plan for supported employment that achieves uniformity between vendors and considers employment outcomes.

➤ **LRS Response:** The Agency agrees with this recommendation and is currently investigating options for resources to implement a permanent rate setting system. Through a 100% federally funded technical assistance grant, the agency has received technical assistance from SAGA for the establishment of a fully automated and integrated fiscal, statistical, case service delivery, and rate setting system that is also fully accessible to individuals with disabilities.

● Other Management Issues ●

Audit Issue 1: Streamlining initiative reduced management control.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. The streamlining initiative did not reduce the level of management control, but did reduce unnecessary, redundant, and repetitive documentation in the case record. LRS data does indicate a positive impact on the number of job placements resulting in streamlining as follows:

- ◆ Year 1 -- 2,896 closed as successfully employed
- ◆ Year 2 -- 3,184 closed as successfully employed
- ◆ Year 3 -- 3,275 closed as successfully employed

Recommendation 42: Management should continue to implement controls regarding oversight, accountability, and costs to substantiate the need for services, the level of guidance and counseling during service delivery, and the level of supervision after service delivery.

➤ **LRS Response:** LRS has embraced the audits of the Agency as constructive self-assessment tools to identify areas that could be improved upon particularly in regards to internal control, data tracking, and monitoring and evaluation. Effective January 31, 2000, case work must be reviewed and approved by supervisors. In addition, state office will randomly review cases in each caseload.

Audit Issue 2: Memoranda concerning cost-saving measures caused confusion.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. The final audit draft report clearly states, "Overall, we found that the memos addressing the 1998-1999 budget crisis were consistent and easily understandable."

- ◆ Of the 61 memorandums, only 21 are "directives" issued by the Director.
- ◆ Of the 61 memorandums, 40 were technical assistance memorandums by three (3) state office staff.

Recommendation 43: LRS should ensure that formal communications are not transmitted to clients until a final decision has been made about service obligations and/or the continuation of services to specific groups and all reasonable questions have been answered (e.g., why, how much, how long).

➤ **LRS Response:** The Agency agrees; however, to maintain compliance with the Rehabilitation Act, Section 102 (c)(2)(B), the agency must inform

the individual about due process whenever there is a reduction, suspension, or cessation of VR services. The Rehabilitation Services Administration Regional Office recommended on April 16, 1999, that the agency provide a notice verbally or in writing to clients that LRS was implementing a change in policy. This due process procedure is required whenever a policy change will be implemented that will have an impact on client services.

Recommendation 44: LRS should strictly enforce all agency policies.

► LRS Response: The Agency agrees with this recommendation. All staff who do not adhere to policies will be held accountable.

Recommendation 45: The state office should improve its communication with regional offices.

► LRS Response: The Agency agrees with this recommendation.

The following steps are being taken to improve communication between State Office and field personnel:

- ❖ The Assistant Director and the Bureau Administrator for Program Services will be visiting each region biannually for feedback, recommendations for improvement, and discussion of any concerns. This will be a formal visit and will involve communication with all staff. This information will then be shared with the Director and appropriate action will be taken if necessary. In addition, the Director will continue to visit each region on an annual basis and more often if needed.
- ❖ The Director will continue to hold biannual meetings with counselors, facility staff and program development staff to receive direct input regarding problems or issues which need action.
- ❖ Regional Managers and District Supervisors meetings will be held at least biannually.
- ❖ The regional managers will track expenditures on a daily basis and information gathered will be provided to the state office fiscal unit. If a potential problem is identified, appropriate action will be taken to curtail overspending.

- ❖ In addition to the above, the Assistant Director will be implementing the following to improve the working relationship between state office and the field:
 - a. Coordinate the efforts of state office staff and the regional managers to implement the Workforce Investment Act.
 - b. Coordinate the efforts of state office staff and the regional managers to implement recommendations of the investigation/audit teams.
 - c. Continue to involve regional managers (and other field staff as appropriate) in preparing the LRS Strategic Plan.

Audit Issue 3: Problems with program spending.

Audit Issue 3 A: Change in order of selection criteria caused services to be denied for clients who previously would have them.

LRS Response: The Agency agrees with the audit conclusion reached in this issue.

LRS changed the order of selection criteria in compliance with federal law and regulations as required if the agency cannot serve all individuals eligible for the vocational rehabilitation program.

Recommendation 46: LRS should refrain from making major policy changes to control costs and save money during budget shortfalls. Instead, LRS should control management controls to better manage resources in a proactive manner.

➤ **LRS Response:** The Agency agrees with this recommendation. The comprehensive automated and integrated case service delivery, fiscal, statistical, and rate setting system will provide the agency with the ability to better manage resources in a pro-active manner. LRS has made some important improvements to help control the budget by giving more fiscal responsibility to regional staff. The abolishment of independent approval status for counselors will also help to control spending. LRS will continue to monitor and make improvements in the agency's operations.

Audit Issue 3 B: Eligibility determinations and provision of services delayed due to budget crisis.

LRS Response: Eligibility determinations and services were managed in accordance with the Order of Selection. Without the Order of Selection waiting list criteria, the agency could not assure that it would not have a shortfall at the end of the state fiscal year.

Recommendation 47: LRS should enhance management controls so that reductions of services and institution of waiting lists will not be necessary.

➤ **LRS Response:** The Agency agrees with this recommendation. The comprehensive automated and integrated case service delivery, fiscal, statistical, and rate setting system will provide the agency with the ability to better manage resources in a pro-active manner. LRS has made some important improvements to help control the budget by giving more fiscal responsibility to regional staff. The abolishment of independent approval status for counselors will also help to control spending. LRS will continue to monitor and make improvements in the agency's operations.

Audit Issue 4: Monitoring of expenditures.

Audit Issue 4 A: LRS had little control over spending; regional staff had no responsibility for the budget.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. The budget process involves two (2) distinctive steps regarding fiscal accountability. The first step places the responsibility on Regional Managers and District Supervisors to ensure timely and accurate information is entered into the accounting (BRIS) system. The following duties are listed in either the Regional Managers' or the District Supervisors' job descriptions:

- Prepare the budget for the region by projecting costs, reviewing expenditures and determining adjustments. (Regional Manager)
- Monitors and reviews cases to assure appropriate services are provided to clients in compliance with agency policy and procedures.

Between 1988 and 1998, field staff were directed to review outstanding obligations and pay, cancel, or provide written justification to keep the obligations. In spite of this request, this task was not being followed; therefore, LRS state office did not have the data to accurately forecast obligations, but the need to do so is crucial to our financial management decisions. LRS has documentation back to 1988 relative to this issue. Effective August 1, 1998, state office affected a change to the BRIS system to automatically cancel obligations over three (3) months old.

The second step of the budget process is inclusion of statewide comparison of the budget to expenditures and obligations. This step is completed with the assumption that step 1 is accurate.

Recommendation 48: As discussed further in the next section of this report, regional staff is now held accountable for budgetary expenditures. However, communication between regions and the state office needs to improve. When regional managers discuss budgetary concerns with personnel in state office, the parties involved should take appropriate actions to ensure that these concerns are addressed.

► **LRS Response:** The LRS Director and other agency staff have addressed budgetary concerns relayed by regional managers. The LRS Director considers, but does not implement each and every recommendation requested by staff. With regional budgets, regional managers are in a position to assure that obligations are appropriately entered into the system and have control over spending in each of their regions.

Recommendation 49: LRS should require more justification for the services that are provided to clients. Counselors should approve expenditures for clients only when the services are necessary to achieve employment outcomes. Counselors need to place more emphasis on spending money efficiently and effectively.

► **LRS Response:** In response to the unsubstantiated statements by several regional managers, it should be noted that the Director informed field staff during a review of Amendments to the Rehabilitation Act, Section 361.42(a)(2), that the agency had to "demonstrate," based on clear and convincing evidence that an individual is incapable of benefitting from VR services in order for the agency to overcome the presumption that an individual can benefit from VR services. This change in the Federal Rehabilitation Act has led to counselors spending additional money to meet the third criterion of eligibility. Also, the Director discussed at Section 361.42 (b)(4), "The eligibility requirements are applied without regard to the particular service needs or anticipated costs of services required by an applicant or the income level of an applicant or applicant's family."

The Agency will be able to ensure that appropriate documentation exists since effective January 31, 2000, casework must be reviewed and approved by supervisors. In addition, state office will randomly review cases in each caseload.

Audit Issue 4 B: Monitoring of vendors.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue. This report contains inaccurate information that could mislead the reader and provide great susceptibility for misunderstanding. Government Auditing Standard 7.54, issued by the Comptroller General of the United States, June 1994, requires that the evidence presented be true and that the findings be correctly portrayed. However, the audit report states, "...some regional managers said that they feel that some supported employment vendors deliberately placed clients in inappropriate jobs they know the client will fail in." There is no evidence to substantiate this statement.

Recommendation 50: LRS should closely monitor vendor invoices. Vendor invoices should not be approved for payment until they have been inspected to ensure that the services or products were actually authorized and received by LRS or the clients of LRS.

➤ **LRS Response:** The Agency agrees with the recommendation that we should monitor vendor invoices and has procedures in place to accomplish this.

Recommendation 51: LRS should pursue recoupment of overpayments to vendors.

➤ **LRS Response:** LRS will implement a requirement for the counselor to complete a cancellation form. Such cancellation form will be approved by the supervisor and forwarded to state office to determine if a recoupment is legal and is required.

Recommendation 52: LRS should closely monitor supported employment vendors to ensure that they provide appropriate job placement and job

coaching services to LRS clients. This could be accomplished through vendor site visits, closer contact with job coaches, visits to clients' places of employment, and better communication with clients.

➤ **LRS Response:** The Agency agrees with this recommendation. The Agency has implemented the Milestone System.

Audit Issue 4 C: In fiscal year 2000, LRS placed some controls over spending.

LRS Response: The Agency agrees with the audit conclusion reached on this issue.

Recommendation 53: LRS has made some important improvements to help control the budget by giving more fiscal responsibility to regional staff. The abolishment of independent approval status for counselors will also help to control spending. LRS should continue to monitor and make improvements in the agency's operations.

➤ **LRS Response:** The Agency agrees with this recommendation.

Audit Issue 5: Weak monitoring of consultant contract.

It is LRS' opinion that this section of the draft audit report does not comply with pertinent sections of the "Government Auditing Standards" issued by the Comptroller General of the United States, June 1994, and upon which this draft audit report is based. This draft audit report contains possible defamatory language that is unsubstantiated, untrue, inaccurate, and incorrectly portrayed.

The information in this section of the audit report gives readers an inadequate and incorrect understanding, and distorts the extent and significance of reported findings relative to the frequency of occurrence regarding the number of transactions tested and the relationship of the findings to LRS' operations. The small sample size (one (1) contract and one (1) potential contract), leads to the possibility of a high degree of sampling error potentially leading to grossly incorrect conclusions and generalizations about the population audited.

Because of the confidentiality of this final draft audit report, the Independent Contractor has not been afforded the opportunity to respond to the audit findings.

Pertinent sections of the "Government Auditing Standards" that appear to have been violated are referenced as follows:

Chapter 7: Reporting Standards for Performance Audits

- 7.39** Auditors should report the views of responsible officials of the audited program concerning auditor's findings, conclusions, and recommendations, as well as corrections planned.
- 7.39** One of the most effective ways to ensure that a report is fair, complete, and objective is to obtain advance review and comments by responsible auditee officials and others, as may be appropriate.

- 7.52 Giving readers an adequate and correct understanding means providing perspective on the extent and significance of reported findings, such as the frequency of occurrence relative to the number of cases or transactions tested and the relationship of the findings to the entity's operations.
- 7.53 In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it reports is that a deviation, an error, or a weakness existed.
- 7.54 Accuracy requires that the evidence presented be true and that findings be correctly portrayed. The need for accuracy is based on the need to assure readers that what is reported is credible and reliable. One inaccuracy in a report can cast doubt on the validity of an entire report and divert attention from the substance of the report. Also, inaccurate reports can damage the credibility of the issuing audit organization and reduce the effectiveness of its reports.
- 7.58 The audit report should be fair and not misleading, and should place the audit results in perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or overemphasize deficient performance. In describing shortcomings in performance, auditors should present the explanation of responsible officials including the consideration of any unusual difficulties or circumstances they faced.

Audit Issue 5 A: Improper monitoring of consultant contract.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue based on the one (1) contract cited.

LRS has documentation to show that the scope of the contract included retaining the independent contractor to work with the newly hired Program Coordinator.

LRS has documentation to substantiate that the Independent Contractor's expertise and educational background far exceeded that of the Program Coordinator.

During the course of the project, consultant was sufficiently monitored by LRS staff. Both site visits and telephone conferences with LRS staff were conducted throughout the project and in fact, the following recommendations from the contractor relative to rate setting were used and/or addressed by LRS as follows:

- **Establish a Rate Setting Committee** -This has been accomplished. LRS' Rate-Setting Committee was established, and the committee took on the responsibility for following up on the additional rate setting recommendations.
- **Establish duties and responsibilities of the rate setting administrator**
- LRS specifically created a position in the agency for this purpose using the Civil Service job specification of Program Coordinator–Social Services, which clearly outlines the function of work, examples of work, and minimum qualifications for the job. In addition, an individual job description was developed for the position and the agency used the contractors recommendations in establishing the duties for this position. The intent of the establishment of the position of Program Coordinator was to have the Program Coordinator **implement the recommendations of the consultant – not to take over the scope of the contract and the work the consultant was performing.**
- **Set tolerance limits and an automated rate approval process** - Tolerance limits have been set for the supported employment program providers through the Milestone Payment System. The proposal submitted by the Agency was for a 100% federally funded grant to assist the agency in determining its needs for establishing a fully automated and integrated fiscal, statistical, case service delivery and rate setting system that is also fully accessible to individuals with disabilities. The Technical Assistance Grantee was provided with the final recommendations of the contractor for use in the rate-setting portion of this automated system.
- **Establish an appeals process** - Prior to receiving the final recommendations of the management consultant, DSS' Rate Setting Committee recommended in September 1998, that an appeals procedure be established as part of the centralized rate setting bureau at the department level.
- **Establish standards for billing LRS.** The agency, with the approval of the Rate Setting Committee, has developed standards for billing.
- **Implement service provider billing standards.** LRS requires this information from providers who have contracts with this agency.
- **Implement service provider reporting standards.** LRS has implemented service provider reporting standards with reports being submitted to the Bureau of Community Rehabilitation Programs.

- **Establish an Internet web page detailing rate setting and reporting policies.** This recommendation is ongoing and will evolve as LRS' presence on the DSS web page expands, and as LRS integrates it's tracking of vendors through the Scorecard component of Workforce Investment.

Recommendation 54: LRS should ensure that all consulting contracts are properly monitored.

➤ **LRS Response:** The Agency agrees with this recommendation. LRS does ensure that all consulting contracts are properly monitored.

Audit Issue 5 B: Some contract services not received or used.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue based on the one (1) contract cited. The following recommendations from the contractor relative to rate setting were used and/or addressed by LRS:

- **Establish a Rate Setting Committee** -This has been accomplished. LRS' Rate Setting Committee was established and the committee took on the responsibility for following up on the additional rate setting recommendations.
- **Establish duties and responsibilities of the rate setting administrator** - LRS specifically created a position in the agency for this purpose using the Civil Service job specification of Program Coordinator--Social Services, which clearly outlines the function of work, examples of work, and minimum qualifications for the job. In addition an individual job description was developed for the position and the agency used the contractors recommendations in establishing the duties for this position. The intent of the establishment of the position of Program Coordinator was to have the Program Coordinator **implement the recommendations of the consultant – not to take over the scope of the contract and the work the consultant was performing.**
- **Set tolerance limits and an automated rate approval process** - Tolerance limits have been set for the supported employment program providers through the Milestone Payment System. The proposal submitted by the Agency was for a 100% federally funded grant to assist the agency in determining its needs for establishing a fully automated and integrated fiscal, statistical, case service delivery and rate setting system that is also fully accessible to individuals with disabilities. The Technical

Assistance Grantee was provided with the final recommendations of the contractor for use in the rate setting portion of this automated system.

- **Establish an appeals process** - Prior to receiving the final recommendations of the management consultant, DSS' Rate Setting Committee recommended in September 1998, that an appeals procedure be established as part of the centralized rate setting bureau at the department level.
- **Establish standards for billing LRS.** The agency, with the approval of the Rate Setting Committee, has developed standards for billing.
- **Implement service provider billing standards.** LRS requires this information from providers who have contracts with this agency.
- **Implement service provider reporting standards.** LRS has implemented service provider reporting standards with reports being submitted to the Bureau of Community Rehabilitation Programs.
- **Establish an Internet web page detailing rate-setting and reporting policies.** This recommendation is ongoing and will evolve as LRS' presence on the DSS web page expands, and as LRS integrates it's tracking of vendors through the Scorecard component of Workforce Investment.

Recommendation 55: The internal contract review team should closely analyze LRS contracts for appropriateness, monitoring, and evaluation of contractor performance to prevent money from being spent on services that are unnecessary or are not provided.

➤ **LRS Response:** The Agency agrees with this recommendation. The internal contract review team does closely analyze LRS contracts for appropriateness, monitoring, and evaluation of contractor performance to prevent money from being spent on services that are unnecessary or are not provided.

Audit Issue 5 C: Inaccurate and misleading information on Contract Review Criteria form.

LRS Response: LRS agrees that the Bureau Administrator for Program Planning should have been listed on the Contract Review Criteria form after it

was recognized that the Bureau Administrator for Information Services would be on extended sick leave. However, this process error would have no bearing on the outcome of the review of the required information relative to the contract.

The Agency does not agree with the following audit conclusions reached on this issue.

LRS has documentation to show that the scope of the contract included retaining the independent contractor to work with the newly hired Program Coordinator.

LRS has documentation to substantiate that the Independent Contractor's expertise and educational background far exceeded that of the Program Coordinator.

Recommendation 56: The internal contract review team should review contracts more carefully to ensure the Contract Review Criteria form does not contain inaccurate or misleading information.

➤ **LRS Response:** LRS has and will continue to review contracts carefully to ensure that the Contract Review Criteria form does not contain inaccurate or misleading information.

Audit Issue 5 D: Contract extended although requirements not met and services not used.

LRS Response: The Agency does not agree with the audit conclusion reached on this issue based on the one (1) contract cited. The following recommendations from the contractor relative to rate setting were used and/or addressed by LRS:

- **Establish a Rate Setting Committee** -This has been accomplished. LRS' Rate Setting Committee was established and the committee took on the responsibility for following up on the additional rate setting recommendations.
- **Establish duties and responsibilities of the rate setting administrator** - LRS specifically created a position in the agency for this purpose using the Civil Service job specification of Program Coordinator–Social Services, which clearly outlines the function of work, examples of work, and minimum qualifications for the job. In addition an individual job description was developed for the position and the agency used the contractors recommendations in establishing the duties for this position. The intent of the establishment of the position of Program Coordinator

was to have the Program Coordinator **implement the recommendations of the consultant – not to take over the scope of the contract and the work the consultant was performing.**

- **Set tolerance limits and an automated rate approval process -** Tolerance limits have been set for the supported employment program providers through the Milestone Payment System. The proposal submitted by the Agency was for a 100% federally funded grant to assist the agency in determining its needs for establishing a fully automated and integrated fiscal, statistical, case service delivery and rate setting system that is also fully accessible to individuals with disabilities. The Technical Assistance Grantee was provided with the final recommendations of the contractor for use in the rate setting portion of this automated system.
- **Establish an appeals process -** Prior to receiving the final recommendations of the management consultant, DSS' Rate Setting Committee recommended in September 1998, that an appeals procedure be established as part of the centralized rate setting bureau at the department level.
- **Establish standards for billing LRS.** The agency, with the approval of the Rate Setting Committee, has developed standards for billing.
- **Implement service provider billing standards.** LRS requires this information from providers who have contracts with this agency.
- **Implement service provider reporting standards.** LRS has implemented service provider reporting standards with reports being submitted to the Bureau of Community Rehabilitation Programs.
- **Establish an Internet web page detailing rate setting and reporting policies.** This recommendation is ongoing and will evolve as LRS' presence on the DSS web page expands, and as LRS integrates it's tracking of vendors through the Scorecard component of Workforce Investment.

The audit report contains an inaccurate statement that indicates, "According to the LRS Program Manager in charge of contractual review, the Bureau Administrator responsible for monitoring the contract authorized both contract extensions." LRS has documentation to indicate otherwise.

Recommendation 57: LRS should refrain from extending contracts until a review of the contractors' performance is conducted to ensure that the contract is being performed and that the services provided under the contract are being used by LRS.

➤ **LRS Response:** This is inconclusive based on the fact that only one contract and one proposed contract were reviewed. Furthermore, LRS has and will continue to review the contractor's performance to ensure that the contract is being performed, and that the services provided under the contract are being used by LRS.

Recommendation 58: LRS should communicate with the users of the services provided for in the contract. This contract should not have been extended without approval of the Program Coordinator for Rate Setting or the Bureau Administrator of Community Rehabilitation Programs.

➤ **LRS Response:** LRS assigns a lead contract monitor for all contracts based upon the employee's program expertise. The lead contract monitor assures that the objectives and activities of the contract are monitored and also communicates, collaborates, cooperates, and acts as the liaison for activities and information required from other agency personnel who are involved in the contract.

Audit Issue 5 E: Contract monitoring responsibilities assigned to employee not knowledgeable in subject area.

LRS Response: This audit conclusion contains material facts that are incorrect and inaccurate. The Agency does not agree with the audit conclusion reached on this issue and responds as follows:

LRS assigns a lead contract monitor for all contracts based upon the employee's program expertise. The lead contract monitor assures that the objectives and activities of the contract are monitored and also collaborates, cooperates, and acts as the liaison for activities and information required from other agency personnel who are involved in the contract.

Recommendation 59: The Agency agrees with this recommendation. LRS should place the responsibility for monitoring contracts with employees who are familiar with the area with which the contracts deal.

➤ **LRS Response:** LRS assigns a lead contract monitor for all contracts based upon the employee's program expertise. The lead contract monitor assures that the objectives and activities of the contract are monitored

and also collaborates, cooperates, and acts as the liaison for activities and information required from other agency personnel who are involved in the contract.

Recommendation 60: If LRS places employees who are unfamiliar with the subject matter of contracts as monitors of those contracts, LRS should ensure that those employees communicate with employees who are familiar with those areas. This control is to ensure the services being provided under the contracts are necessary and useful to the users.

➤ **LRS Response:** LRS assigns a lead contract monitor for all contracts based upon the employee's program expertise. The lead contract monitor assures that the objectives and activities of the contract are monitored and also communicates, collaborates, cooperates, and acts as the liaison for activities and information required from other agency personnel who are involved in the contract.

Appendix J

Legislative Auditor's Additional Comments Based on LRS' Response

Appendix J: Legislative Auditor's Additional Comments Based on LRS' Response

Note: Page numbers refer to LRS' response.

Pages 1: Overview - Conflicting Dates

The Scope and Methodology section of the audit report clearly states the following:

1. We reviewed and analyzed policies and procedures that were in effect during FYE 1999; we took into account procedural changes made during FYE 2000.
2. We collected data and performed trend analysis on financial and case information for FYE 1997 through FYE 1999.
3. We reviewed a random sample of cases from throughout the state to test selected data elements to the BRIS database.
4. We analyzed BRIS data since BRIS' implementation in April 1985 through August 31, 1999, and used the results to select case files to review. (Thus, some case files we reviewed encompassed time periods before July 1, 1998. These are the cases in the Lafayette Region.)

Therefore, our work was not limited to July 1, 1998, to June 30, 1999, as indicated in the agency's response. In our review of case files in the Lafayette Region, we reviewed complete case history information on each client to obtain a thorough understanding of the clients' cases.

Pages 1 and 2: Methodology

It is important to distinguish that there are two types of findings included in the audit report. First, there are findings that deal with deficiencies in overall policies, procedures, and forms. Since these policies, procedures, and forms are used by the agency statewide, those findings can be generalized to the entire state, including all regions.

The second type of finding deals with the sample of cases we reviewed statewide and in the Lafayette Region. Those findings and conclusions are clearly identified as relating specifically to those cases. The report does not generalize these findings and conclusions to the statewide population. In addition, the Scope and Methodology section of the report clearly states that in these segments of our work, the results were limited to the cases we reviewed and not projected to the entire state.

In addition, the Scope and Methodology section discusses the fact that we assessed internal management controls in general. It also states that we targeted the Lafayette Regional Office for detailed review of case files because we considered it to be an area of high risk. This is in conformity with *Government Auditing Standards*, which state that poor controls in a certain location may lead auditors to target their efforts there.

Page 2: LRS Concerns About Reliability of Fiscal and Statistical Data Reported in Background Section of Report

In conformity with *Government Auditing Standards*, we have cited the source of the data and stated that they were not verified whenever computer processed data (i.e., BRIS data) are used in the audit report for background or informational purposes and are not significant to the findings.

Pages 3 and 4: LRS Response to Audit Issue 2 (Eligibility Determination)

As stated previously, our work was not limited to July 1, 1998, through June 30, 1999. In addition, even without considering the agency's policies and procedures in effect at various times, we found serious problems with the lack of internal management controls over eligibility determination. In our case file review in the Lafayette Region, we confirmed that control problems existed that may have contributed to the budget shortfall. Also, major policies and procedures were not changed until July 20, 1999.

1. We do not believe that our discussion of what constitutes a person with a severe disability is misleading. The definition is accurate. We did not include a complete list of all possible functional limitations because it was not necessary for an understanding of the audit findings on eligibility. The examples provided in the footnote are sufficient for this purpose.
2. The definition given in the report of a person with a "physical or mental impairment" is accurate, according to Title 34, Volume 2, Section 361.5(36) of the 1998 Code of Federal Regulations. The LRS response states that this definition applies to areas other than the Vocational Rehabilitation Program. However, this definition falls under the heading titled "The State Vocational Rehabilitation Services Program" in the federal code. Also, the cite provided in the agency's response [361.5 (25)] refers to an "individual with a disability." The definition of an "individual with a disability" includes a person with a "physical or mental impairment."
3. The word "assist" was erroneously excluded from the draft report reviewed by the agency. We have added this word into the note referenced in LRS' response on page 20 of the report.
4. The new RS-2 form contains a section for comments. This is acknowledged on page 23 of the report. Therefore, our characterization of the form is not misleading. However, it is important to note that in several cases we reviewed in Lafayette, the comment section was rarely used.

5. Our discussion of procedures for eligibility determination, which is merely descriptive information preceding the findings, includes information about both the decision and documentation process as well as the use of the RS-2 form. This addresses the procedures in Section 407 of LRS' procedures manual, as cited in the agency's response. However, the other cite included in LRS' response (Section 412.2) is not related to documentation of eligibility determinations. It relates to guidance and counseling *during service delivery*--that is, after eligibility has been determined. Thus, it does not address the issue.

Page 4: LRS Response to Audit Issue 2A (Supervisors Did Not Review Several Eligibility Determinations)

The statement "... supervisors were not supposed to question the eligibility decisions of counselors with IAS" is directly attributable to statements made to our auditors by members of LRS management.

Page 5: LRS Response to Audit Issue 2B (Updated Medical and Psychological Reports Needed)

We do not believe that the report's summary of LRS' procedures related to updated medical and psychological reports is misleading. An overview of major procedural provisions is sufficient for an understanding of the finding.

To add further clarity to the discussion on counselors not re-determining severe disabilities, we have added the words "and federal requirements" at the top of page 23 of the audit report.

Page 5: LRS Response to Recommendation 2

The agency's response to Recommendation 2 contains the same information as its response regarding the finding on updated medical and psychological reports. Our comments on this matter are the same as previously stated.

Page 6: LRS Response to Audit Issue 2C (Better Documentation to Support Eligibility Determinations Needed)

Please refer to our comments for Pages 3 and 4: Eligibility Determination, item #4 on page J.2.

Page 7: LRS Response to Services Provided Conclusions

The memorandum containing the revised policy on independent approval status is dated January 31, 2000. It states, "Civil Service has completed its work on these studies and have implemented the approved changes *effective January 28, 2000*." The memorandum also states, "... all references to "independent approval status" (IAS) have been removed. With implementation of these changes, IAS is now abolished and the agency's IAS policy is no longer in affect."

The word “evaluators” has been deleted from this section of the report.

The statement on page 25 of the report “. . . LRS procedures did not require documentation in case files to support the consideration of comparable services and benefits” has been amended to read “. . . LRS procedures did not require counselors to collect documentation relative to an individual’s reported income, assets, monthly liabilities, or family status.”

The statement, “The counselor may also obtain additional information when it is in the client’s best interest” is included in the agency’s policy manual that was effective August 1, 1996. It is excluded from the new policy manual that took effect July 20, 1999. However, there is no policy prohibiting counselors from obtaining additional information when it is in the client’s best interest.

A comment on this page of the LRS response says that the audit report omits a vital area of assessment. However, the response does not say what this vital area is, thus we cannot respond to this comment. However, we believe that the discussion on comprehensive assessments provides sufficient background information for the users of the audit report to understand the findings.

Page 8: LRS Response to Audit Issue 1 (Lack of Oversight of Counselors With Independent Approval Status)

The agency’s response says that this section contains inaccurate information, but it does not say which information is inaccurate. Therefore, we cannot respond to this comment. However, it is important to note that the information in this section came directly from the agency’s policy manual that became effective August 1, 1996, and the procedures manual that was revised October 1, 1996. If the agency is referring to the fact that the IWRP has been replaced by the IPE, this is clearly stated in the footnote on page 26 of the report. We did not summarize the new procedures for IPEs (which became effective July 20, 1999) in this section because they do not apply to the findings included in this section.

The agency’s statement that the audit report fails to consistently recognize that LRS has abolished independent approval status is inaccurate. The finding to which this comment refers contains an entire paragraph describing this change in policy. In addition, the policy change is mentioned in various other sections of the report. In addition, LRS’ statement that there was no violation of federal law or regulations is not the point of the finding. The finding addresses the need for accountability and control, which are required for state programs receiving federal funds.

Page 9: LRS Response to Audit Issue 2 (Non-Compliance With LRS Policies and Procedures)

LRS management has misapplied the *Government Auditing Standards* in its comment regarding the use of the term “non-compliance.” The section of the *Government Auditing Standards* cited in LRS response (Chapter 7, section 7.27) applies to assessment of compliance with laws and regulations. The finding to which this comment is directed concerns policies and procedures of

LRS. The use of the term in this way is not forbidden by the standards, and all such statements in the report are accurate.

Page 9: LRS Response to Recommendation 6

A member of LRS management specifically told our auditors that this issue warranted being revisited because there is a legitimate concern about whether the Intervention to Prevent Blindness Program is within the legal definition. Also, the recommendation is aimed at whether or not it is *appropriate* for LRS to pay for services for clients in Order of Selection Group III. This is especially relevant in light of the recent budget crisis experienced by the agency.

Page 11: LRS Response to Recommendation 11

We believe that LRS can and should take steps to ensure that clients pay their portion of services documented on the IWRP as being the clients' responsibility. In the cases cited in the report, LRS paid for the services that the clients should have paid for, according to the IWRPs.

Pages 11 and 12: LRS Response to Audit Issue 2D (Services Provided Did Not Always Address Clients' Functional Limitations) and Recommendation 13

The report contains LRS' statement about LRS' procedures stating that "services are considered necessary and appropriate if the service(s) can address the identified functional deficits and assist the individual in performing job functions and/or gaining knowledge or skills necessary to compete for, obtain, or maintain employment."

Page 12: LRS Response to Audit Issue 2E (Unrealistic Employment Goal)

The agency's response to this finding does not address the issue. The point of the finding is that the results of the client's vocational assessment did not match the employment goal the counselor stated on the IWRP, as illustrated in Exhibit 23 on page 44 of the audit report. The vocational assessment recommended as suitable aptitudes for success occupations such as photographer, file clerk, garment inspector, laundry operator, manicurist, and animal ride attendant. The employment goal established by LRS for this client was a biomedical engineer.

Page 13: LRS Response to Audit Issue 2F (Little Evidence in Some Case Files Indicating Clients Required Services to Retain Employment)

The agency's response discusses post-employment services. However, the finding does not relate to post-employment services. Therefore, the response does not address the finding.

Pages 14-16: LRS Response to Audit Issue 2I (Counselors Did Not Always Adhere to Procedures Regarding Tuition Assistance)

The response states that federal regulations forbid LRS from establishing in written policy arbitrary limits on the nature and scope of vocational rehabilitation services. However, this

finding does not address non-compliance with federal regulations. Rather, it discusses non-adherence to LRS' own procedures. Therefore, the agency's response does not address the finding.

Page 16: LRS Response to Audit Issue 2J (Procedures Not Always Followed for Small Business Enterprises)

The finding discusses lack of adherence to procedures. We are not sure what is meant by "process" in the agency's response.

Page 17: LRS Response to Audit Issue 2K (Counselors Did Not Always Follow Purchasing Guidelines for Other Services)

The cases cited in this finding involve more than simple processing or coding errors. Although we did find significant instances of coding problems, the more serious problems noted were overpayments for supported employment services, lack of supervisory signatures on high cost IWRPs, lack of justification for services provided, lack of documentation of GPAs for tuition assistance cases, and lack of invoices and receipts.

Page 18: LRS Response to Recommendation 21

The agency's response says that Federal Regulations, Section 361.50 prohibit the placing of absolute dollar limits on specific service categories or on total services provided to an individual. Recommendation 21 does not suggest that LRS should set specific dollar limits. The recommendation simply suggests that LRS develop purchasing guidelines for the provision of childcare services to clients. Such guidelines could include, for example, requiring invoices and receipts from child care centers and obtaining assurance that amounts paid do not exceed the going rate in the area.

Page 18: LRS Response to Audit Issue 2L (Little Evidence in Some Case Files of Guidance and Counseling)

According to an LRS management official, guidance and counseling are not well documented because of the time factor involved. In addition, LRS documentation regarding the streamlining initiative states, "Counselors should record only essential and concise information in the Supervision Section of the case record. Filing grades/progress reports, etc. in the case record is sufficient notice that such have been received. Case recording should only outline any counseling sessions relative to the client's progress, lack of progress, difficulties, etc. A general rule is to record information in the case record only one time." In addition, this documentation states, "Logging telephone calls (local and/or long distance) is to be discontinued. Routine explanations of calls (i.e. over 30 minutes) is no longer required." Finally, we noted scant documentation of guidance and counseling in case files we reviewed in Lafayette. In some cases, we could not even determine whether counseling and guidance had been provided at all.

Page 19: LRS Response to Audit Issue 2M (Number of Successful Case Closures May Be Overstated)

As stated in the finding, LRS spent \$16,452 on college tuition and related expenses for this client. We question whether these expenses were necessary to enable her to obtain the job as a customer care representative for a company. It should also be noted that the job was temporary, the client found the job herself without LRS assistance, and the job was not related to the employment goal on her IWRP (community worker).

Regarding the 20-hour issue, if LRS' statement that less than 20 hours is acceptable, this should be reflected as an exception in its procedures manual.

Page 20: LRS Response to Recommendation 24

The draft erroneously excluded the word "help" from the recommendation. We have added this word to Recommendation 24 on page 60 of the report.

Page 21: LRS Response to Audit Issue 2O (Provision of Same Services to Clients With Multiple Cases Questionable) and Recommendations 25 and 26

In all cases we reviewed of clients with multiple cases, the reason the latter cases were opened was because the clients sought specific services. The agency's statement that federal eligibility requirements are applied without regard to the particular service needs or anticipated cost of services required by an applicant do not seem appropriate here.

Page 24: LRS Response to Audit Issue 6 (Little Quality Control Over Services Provided by Private CRPs)

This finding addresses private CPRs. The CPRs that LRS addresses in its response are the ones with whom LRS has contracts--the Rehabilitation Employment Assessment Programs (REAPs) and LRS-operated CRPs, which are public entities. Therefore, LRS response does not address the finding.

Page 25: LRS Response to Audit Issue 7A (Non-Competitive Procurement Practices for Purchases From Vendors)

The agency's response to this finding seems to focus on individual choice for clients as it relates to procurement of services. However, this finding does not suggest that clients should not be given meaningful choice. It merely says that federal regulations do not preclude LRS from implementing a competitive procurement process.

Page 26: LRS Response to Audit Issue 7C (No Use of State Contracts for Some Client Purchases)

We did not see the use of any state contracts for client purchases in any of the work we conducted.

Page 27: LRS response to Recommendation 40

LRS responded that it is not necessary to obtain a legal opinion from the Department of Justice on the loaning of equipment issue because agency officials do not think a loan program would be cost effective. We strongly believe that the agency should seek an opinion to determine whether the agency's current practice of buying property for clients is a violation of the constitutional provisions dealing with donating property. The agency should also request an opinion on the constitutionality of loaning property to clients in lieu of purchasing it for them.

Page 29: LRS Response to Audit Issue 1 (Streamlining Initiative Reduced Management Control)

Reduction of critical documentation and supervision resulting from streamlining created a situation where many agency decisions regarding eligibility and service provision cannot be substantiated and left the program vulnerable to fraud and abuse. This translates to reduced management control.

Page 29: LRS Response to Audit Issue 2 (Memoranda Concerning Cost-Savings Measures Caused Confusion)

To provide further clarity to this finding, we have inserted the words "Number of" into the heading for this finding on page 82 of the report. The heading now reads "Number of Memoranda Concerning Cost-Saving Measures Caused Confusion."

Page 32: LRS Response to Audit Issue 4 (Monitoring of Expenditures)

According to information received during the audit from the LRS director, one of the new cost controls implemented during Fiscal Year 2000 was to give regional managers budgetary responsibility. In addition, the director said that the regional managers received training on tracking budgets. Also, the director states in her September 21, 1999, response to the federal Rehabilitation Services Administration draft report of findings from the fiscal review of LRS conducted in May of 1999 that regional managers have received training in the area of monitoring fiscal data and ensuring that fiscal data related to obligations, payments, and cancellations by regional staff are entered accurately and timely into the system database. The director also states in this response that at the request of regional managers, rehabilitation counselor associates were also provided training related to the daily counselor financial tracking responsibility.

In LRS response to the audit report, it appears that the agency is discussing preparing budget requests and monitoring and reviewing cases. However, our finding addresses monitoring *expenditures* on a regular basis, as the overall caption on page 87 indicates. To further clarify this situation, we have amended the heading on page 87 for this finding to read "LRS Had Little Control Over Spending; Regional Staff Had No Responsibility for *Monitoring Expenditures*." We have also modified the second sentence of the finding on this page. This sentence now reads "The LRS state office had sole responsibility for *ongoing monitoring of expenditures* for the entire state." We have also amended the first sentence of the last paragraph on page 87 of this

finding to state, “ Before April 1999, counselors had few spending limits and no responsibility for monitoring their expenditures.”

In addition, it is important to note that our office interviewed all regional managers and asked them if they were responsible for spending within budgetary amounts during FYE 1999. Several of the regional managers responded that before July 1, 1999, they were not responsible for keeping up with the budget. Regional managers also said that they now have full responsibility for monitoring their counselors' spending on a daily basis.

Page 34: LRS Response to Audit Issue 4B (Monitoring of Vendors)

LRS has misconstrued the auditing standards in this section of its response. The statement referred to in the agency's response says, “Also, some regional managers said that they feel that some supported employment vendors deliberately placed clients in inappropriate jobs where they know the clients will fail.” This is an accurate statement. Some regional managers did tell us this. The auditing standards provide for testimonial evidence to be used in performance audits.

Pages 35-43: LRS Responses to Audit Issues and Recommendations Related to Weak Monitoring of Consulting Contract

We reviewed the consulting contract as part of our audit work related to LRS' rate setting policies. We did not select it as a representative sample of all LRS contracts. In fact, it is not a sample at all. It is the full population of all rate setting consulting contracts in effect at the time. Our report accurately identifies this contract as a single occurrence, and our findings specifically relate to this contract.

We did not afford the independent contractor the opportunity to respond to the audit findings on this state agency because the contractor is not under audit. The findings about the consulting contract address LRS' responsibilities related to monitoring the contract.

LRS has misapplied and/or misconstrued the auditing standards in its response to this section of the audit report as follows:

- **Section 7.38:** Auditors should report the views of responsible officials of the audited program concerning auditors' findings, conclusions, and recommendations, as well as corrections planned. (Note: LRS response erroneously cites this section of the auditing standards as 7.39.)
 - This standard has been fulfilled via inclusion of the agency's response in the audit report.
- **Section 7.39:** One of the most effective ways to ensure that a report is fair, complete, and objective is to obtain advance review and comments by responsible auditee officials and others, as may be appropriate.

- LRS has had a copy of the draft report since March 9, 2000. We also held an exit conference with agency officials on March 13, 2000, at which we repeatedly solicited agency feedback. LRS provided no verbal feedback on this issue and provided only written feedback via its formal written response to the report, which have been included in the report as Appendix I. This standard has been fulfilled.
- **Section 7.52:** Giving readers an adequate and correct understanding means providing perspective on the extent and significance of reported findings, such as the frequency of occurrence relative to the number of cases or transactions tested and the relationship of the findings to the entity's operations.
- As stated previously, this particular contract is not a sample. It is the only rate setting consulting contract in effect at the time. Thus, we reviewed all occurrences or cases that were within the scope of this audit.
- **Section 7.53:** In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it reports is that a deviation, an error, or a weakness existed.
- We cite various deficiencies with the way LRS managed and monitored the consulting contract. Thus, there is not simply a single deficiency. The number and severity of the deficiencies cited are sufficient to conclude that the contract was not monitored appropriately. As previously stated, the agency has erroneously concluded that this contract is a "sample" and not the full population of all rate setting consulting contracts in effect, and it has construed the contract as a sole deficiency instead of addressing the numerous deficiencies related to the sole contract.
- **Section 7.54:** Accuracy requires that the evidence presented be true and that findings be correctly portrayed. The need for accuracy is based on the need to assure readers that what is reported is credible and reliable. One inaccuracy in a report can cast doubt on the validity of an entire report and divert attention from the substance of the report. Also, inaccurate reports can damage the credibility of the issuing audit organization and reduce the effectiveness of its reports.
- The findings related to the consulting contract are accurate. Also, see the bullets under "Section 7.58 on page J.11."
- **Section 7.58:** The audit report should be fair and not misleading, and should place the audit results in perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or overemphasize deficient performance. In describing shortcomings in performance, auditors should present the explanation of responsible officials including the consideration of any unusual difficulties or circumstances they faced.

- The findings on this issue are fairly stated and are not misleading. The explanation of the responsible officials is presented in the form of the agency's response. Further information concerning LRS' response to issues related to this contract follows.
- The consulting contract does not state that the consultant was to work with LRS' program coordinator. According to the contract, any alterations, variations, modifications, or waivers of provisions of the contract are valid only when they have been reduced to writing, duly signed, and attached to the original contract. The contract also states that no claim for services not provided for in the contract shall be allowed by LRS. In addition, the program coordinator's job description states that his position is responsible for the development and management of the statewide rate structure. Furthermore, according to the program coordinator, he met with the consultant only two or three times and, after reviewing the consultant's recommendations, decided the recommendations did not agree with his philosophies concerning rate setting. At this point, the program coordinator had no further contact with the consultant.
- The consultant's expertise and educational background are not an issue and are thus not relevant to our findings in this area.
- We based our conclusion that LRS did not properly monitor the consultant's contract partly on the fact that LRS paid the consultant for work that was not performed or that was performed unsatisfactorily. Most of our concern centered on our finding that LRS paid the consultant \$12,375 for a database or spreadsheet prototype that was not acceptable and was not used by LRS and \$12,375 for an automated rate setting mechanism that was not received by LRS. In its response, LRS has not addressed these aspects of the consultant's nonperformance.

In its response, LRS states that several of the consultant's recommendations were followed by LRS. However, most of the examples listed by LRS were not the result of the consultant's recommendations. Specifically, LRS created a CRP Service Provider Committee in the spring of 1999 to create an emergency rate plan in response to LRS' budget shortfall. This committee included four regional managers, the Bureau Administrator for CRPs, and the program coordinator, along with other LRS staff. Based on interviews we conducted with committee members, the committee did not use the consultant's recommendations, and some committee members stated that they had never heard of the consultant or his recommendations.

In addition, LRS states in its response that LRS used the contractor's recommendations in establishing the duties for a newly created position of rate setting administrator. However, the consultant's recommendations state that the duties and responsibilities of the rate setting administrator should be amended. At the time this recommendation was made, the rate setting administrator's duties and responsibilities were already established in his job description, and those duties and responsibilities were not subsequently amended.

Also, the Milestone Payment System that was implemented as part of the July 1, 1999, interim rate setting plan was based on the system used in Oklahoma's Vocational Rehabilitation Agency. The CRP Service Provider Committee studied the Oklahoma system and modeled LRS' system after the program being used in Oklahoma. The milestone system provides for payments to vendors only after certain levels of achievement have been reached with the client. This matches the method of payment to the expected outcome rather than to the amount of service provided. Conversely, the tolerance limits recommended by the consultant refer to the process for approving rates that are requested by vendors and do not refer to the type of milestone system LRS implemented on July 1, 1999. Based on interviews conducted with committee members and our review of the Milestone system, the CRP Service Provider Committee did not consider the consultant's recommendations in implementing the Milestone system. Instead the committee modeled LRS' milestone program after Oklahoma's program. In fact, as previously stated, several committee members stated that they had never heard of the consultant or his recommendations. Also, the portion of the proposal related to rate setting that LRS submitted in its request for the federal Rehabilitation Services Administration grant was written by LRS' program coordinator, and the consultant's recommendations are not mentioned in the proposal.

Furthermore, LRS' response states that DSS' Rate Setting Committee followed the consultant's recommendations in September 1998 when it established an appeals process. However, the implementation of an appeals process is not mentioned in the recommendations that the consultant submitted to LRS in September 1997.

Moreover, as of January 2000, CRPs are required to complete and submit quarterly reports to LRS. According to the Bureau Administrator of CRPs, the report was created by the Bureau Administrator of CRPs. We reviewed the report and noted that it does not contain any of the consultant's recommendations. In addition, the consultant's recommendation was that service providers submit annual audited financial statements and pro-forma financial statements. Financial statements are not required as part of these reports.

Finally, LRS has not yet established an Internet Web page detailing rate setting and reporting policies. In the future, LRS will be reporting vendor performance information on the Internet through a scorecard system. This scorecard will be available for use by LRS clients, counselors, and others seeking vendor performance information. However, this is required under the federal Workforce Investment Act and is not a result of the consultant's recommendations. The consultant's recommendation in this area was for LRS to create a Web site that would be used by service providers as a means of keeping them updated on LRS rate setting policies, reporting policies, and billing standards. LRS had not done this yet.

Both contract extensions were signed by the LRS director. However, according to LRS' program manager in charge of contractual review, the Bureau Administrator of Program Planning, who was responsible for monitoring the consultant's contract, authorized the extensions.

Our statement that the contract monitoring responsibilities were assigned to an employee who was not knowledgeable about rate setting was based on the statement made by the Bureau Administrator of Program Planning that she had never worked with rate setting at LRS.